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NEAR EAST/NORTH AFRICA REPORT

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YEMENS STEP UP UNITY TALKS

London 8 DAYS in English No 4, 30 Jan 82 pp 6-7

[Article by Michel Szwed-Cousins]

[Text]

THE MUCH-VAUNTED dream of Yemeni unity has surfaced again — there is now a draft constitution for a United Yemeni Republic with Sanaa as its capital. President Ali Abdullah Saleh of North Yemen undoubtedly hopes that if agreement is reached on the constitution it will mean an end to the National Democratic Front's guerrilla threat, and will finally cure the more schizophrenic aspects of North-South relations; the fact that they have been simultaneously talking about unity and working against each other.

However, behind the scenes *8 Days* has learnt that by no means all North Yemenis are enthusiastic about the idea.

The 136-article draft constitution was completed over the new year, and is yet to be published. When it is, it will be put by referendum to the 9.5m North and South Yemenis. However, all that is known at the moment is that the proposed new state would be socialist, with Islam as the official religion: 'Perhaps something between where we are and where they are,' in the words of the North Yemeni prime minister, Abdul Karim al Iryani.

So far, however, the outside reaction has been that unity is nothing more than a mirage, and that it cannot work. Where the North is conservative and non-aligned but wracked by political, tribal and religious divisions that fuel a never-ending internecine strife, the South on the other hand is ordered, marxist and linked by military bases and a friendship treaty to Moscow. Given these disparities, North Yemenis, while wanting eventual reunion, do not give the present attempt much chance.

In the South, however, there is optimism. 'Unity between the two parts of Yemen is

not a utopian dream,' the South's foreign minister, Salem Saleh Mohammed, declared in Paris earlier this month. 'The system in the North does not involve truly capitalist state structures, nor that in the South 100 per cent socialist structures.' Though this is the first time a Southern minister has departed from the usual rhetoric and made such an admission, the gist of his argument is substantially true.

The draft constitution is the official result of the agreement mediated three years ago by Kuwait following a short but bitter border war. Both sides agreed to work towards unity and a host of joint commissions, primarily economic, were set up to ease matters along. However, few North Yemeni officials then believed that the discussion would come to anything.

The reason for this pessimism was Aden's support for the increasingly powerful opposition National Democratic Front, whose guerrillas operate with impunity in much of the southern part of North Yemen.

The battle against the NDF has been the most serious of Sanaa's problems. The guerrillas control an area near the border with the South, but they have also extended their operations, probing as far as to the north of Taiz. In the view of most observers, it is the problem of the NDF — three mediated ceasefires have failed so far — that forced Ali Abdullah Saleh to agree to the draft constitution.

However, in November, mediation efforts by Kuwait proved successful, and a fourth ceasefire was agreed by the Sanaa government and the NDF. Not only did the NDF leader Sultan Omar turn up in Kuwait to sign, but South Yemen President Ali Nasser Mohammed was there to guarantee

the South's compliance.

The immediate result of the new ceasefire was a visit to Aden by Ali Abdullah Saleh at the end of November for the fourteenth anniversary of independence celebrations in South Yemen. It was his first official visit to the South. Though Ali Nasser Mohammed has visited the North five times, Saleh always refused to go to Aden before because of its support for the NDF.

Whether the go-ahead for the constitution was agreed by the two Yemens in Kuwait or in Aden is unclear. However, what did emerge from President Saleh's visit to the Southern capital was a declaration by the two countries to work for closer political and economic cooperation. The agreement was in fact drawn up a year before, but Sanaa held up its promulgation because of Aden's backing for the NDF.

What the Saudis feel about these latest unity moves has not been revealed; nor is it likely to be, if past experience is anything to go by. However, while it would be surprising if Riyadh were anything but wary, it is unlikely that any pressure will be brought to bear on Sanaa. The North Yemens are not noted for their empathy towards the Saudis, and though Riyadh has in the past been accused of funding tribes in the northern part of the North to stir up trouble, such tactics could now easily backfire.

Moreover, a draft constitution does not make a union. As the Saudis know, the

March 1979 accord on union was not the first. A similar one was agreed after the 1972 border war, but it disappeared into the history books in a flurry of political and ideological disagreements.

Even if these do not recur — and there is a powerful mercantile class as well as a few hundred thousand Southern exiles in the North who are implacably opposed to Aden's socialism — North Yemen's other divisions will prove an impediment. The most important divide — and according to some North Yemeni officials, one that is now being politically exploited — is the confessional one. Power is jealously guarded by the Zaidi Shiites from the northern part of the North. Only recently a Northern official commented to *8 Days* that the Zaidi establishment could never accept union with Sunni South Yemen if it meant a loss of position.

South Yemen President Ali Nasser Mohammed has attacked Oman's membership of the Gulf Cooperation Council because of Oman's special relationship with the US. 'Oman has turned into a military base for the US Rapid Deployment Force,' he said. All but calling for Oman's suspension, President Mohammed said its involvement brought the GCC into disrepute. The attack is believed to be in retaliation for reports in the Omani press that the Soviet Union is building a military command centre outside Aden.

CSO: 4400/130

INTER-ARAB AFFAIRS

BRIEFS

STANCE ON GOLAN ISSUE--Tunis--Mr Mohamed Tazi, his majesty the king's ambassador in Tunis and permanent Moroccan representative to the Arab league, headed the Moroccan delegation at the extraordinary meeting of Arab foreign ministers which ended yesterday in Tunis. On this occasion, Mr Tazi had talks with His Royal Highness Prince Sa'ud al-Faysal and Mr Marwan al-Qasim, Saudi and Jordanian foreign ministers respectively, and also with Mr Hamid 'Alwan, Iraqi minister of state for foreign affairs. The subject of the talks was this extraordinary session called by Syria following Israel's the announcement of the annexation of the Golan Heights. Mr Tazi also met the Syrian foreign minister, Mr 'Abd al-Halim Khaddam and told him that Syria had the support of His Majesty King Hassan II the people and the government of Morocco, and that Morocco had denounced Israeli aggression and was ready to contribute any possible positive action that might lead to the liberation of occupied Arab territories. Mr Khaddam paid tribute to His Majesty King Hassan II's stance on Arab questions and to his unfailing support for Syria, adding that the Syrian people would never forget these stances or the fact that the blood of martyrs of the two countries had intermingled in the Golan. Mr Tazi explained that the absence of Mr M' Hamed Boucetta, minister of state in charge of foreign affairs, was due to certain important engagements which he could not postpone. [Map report: "Morocco Backing Syria"] [Text] [PM171127 Casablanca LE MATIN in French 14 Feb 82 p 4]

CSO: 4519/121

DROP IN OPEC PRICES HINTED

London 8 DAYS in English No 3, 23 Jan 82 pp 54-55

[Article by Graham Benton]

[Text] OIL INDUSTRY economists in New York are sharply divided over the outlook for Opec prices in 1982. While no one expects demand to grow this year, most analysts think that Saudi Arabia will prove able and willing to cut its production still further during the course of 1982 to maintain average Opec prices at their present level. But a growing body of minority opinion expects demand to drop so low and competition among Opec members to intensify to such a level that the Saudis will be unable to bear the brunt of the slump. In that case, they say, Opec prices could fall by as much as another \$3 in the next 12 months.

Tor Mello, Texaco's chief economist, told a recent oil conference in New York that earlier forecasts of a 1m-barrel-a-day rise in free world oil demand this year had been revised to a point where 'we are now looking for petroleum demand in 1982 to be flat or only slightly increased.'

Speaking at the same conference, Petroleum Industry Research Association senior vice president Gary Ross explained the rationale: 'Saudi Arabia needs \$70bn a year to cover current expenditures on its Five Year Plan, its military expenditures and foreign aid,' he said. 'It earns \$10bn a year on its investment income. Its average crude oil price is \$33.30 a barrel. So at 6m b/d production, it could satisfy all of its revenue requirements and domestic oil needs.' Current Saudi output is 8.5m b/d, down from over 10m b/d earlier in 1981.

Most analysts at oil companies or Wall Street investment houses are sure the Saudis will be as willing to support the \$34 per barrel Opec marker price by cutting output as they were eager to support last year's \$32 per barrel marker by boosting

production during 1981. This would certainly be popular with those in the kingdom who have long argued against the wisdom of Saudi Arabia exporting oil at a rate well above its domestic revenue requirements.

Such expectations are apparently shared abroad as well. Royal Dutch/Shell managing director Sir Peter Baxendel announced at the New Year that there was now a greater hope of stability in oil prices than for many years.

Some analysts also believe that a decline in oil inventories will help stabilise prices. According to a recent analysis by Data Resources Incorporated, the drop in worldwide oil inventories to only about 150m barrels above normal levels from 600m barrels at the beginning of last year will soon exert some countervailing upward pressure on prices. Referring to the reduction in inventories, Constantine Fliakos of Merrill Lynch, Pierce, Fenner and Smith recently said that as far as he was concerned, 'the glut is gone.'

Others are not so sure. One of the leading proponents of a major crack in Opec prices this year is Charles Maxwell, oil analyst with the Wall Street investment firm Cyrus J. Lawrence. Maxwell is widely respected in the business of forecasting petroleum trends, and *Institutional Investor* magazine ranked him first in the ranks of international oil analysts this year.

In a recent report, Maxwell agreed that slow world economic growth, increasing substitution for oil of gas, coal and uranium, greater conservation and rising non-Opec production would all combine to keep demand for Opec oil down to 1981 levels. He predicts that weaker Opec members may try to carve out a greater market share

for themselves by open or under-the-counter price discounts.

But he questions how far the Saudis will be able to support current prices by absorbing the pressure for greater output from other Opec members through its own production cuts. He foresees Saudi Arabia curbing production below 8.5m barrels 'reluctantly and with substantial complaint'. But, he continues in his report, 'if production fell below 6m b/d, the Saudis would experience problems in the form of costly cutbacks in their development budget, in terms of utilising increasing amounts of ancillary gas production for petrochemical use, and in using their monetary surplus to finance ongoing budgetary requirements.'

Maxwell is afraid that the 2.5m b/d leeway the Saudis have will not be enough to stabilise the market. The gravest pressure, as he sees it, is the increasing necessity for Iraq and Iran to boost exports. If they manage to resume 'meaningful' production, Saudi Arabia might have to drop 'to 4m or 5m b/d. It would be either that or lower prices.'

Iraq and Iran are definitely running very short of money. Iran has just ordered a ban

on all but the most essential imports, while Iraq's foreign exchange reserves are reportedly dropping by \$1bn a month. An ominous pointer to Iraq's intentions was a recent statement by Oil Minister Tayeh Abdul Karim that the country intended to expand pre-war production capacity of around 4m b/d by 50 per cent in the next few years. Current exports are a mere 650,000 b/d.

At best, Opec can look forward to severe erosion of real oil prices in coming years, according to Maxwell. 'Even if the Saudis hold the price of crude at \$34 a barrel in 1982, and Opec price increases occur at half the rate of inflation in 1983 through 1985, the result would be continuous reductions in the real price of oil over the next four years.'

Other analysts are even less sanguine. A particularly gloomy outlook for Opec was forecast by Henry Wojtyla of the brokerage firm Rosenkrantz, Ehrenkrantz, Lyon and Ross. He predicts a drop in demand for Opec oil by 5m b/d during 1982, leading to a drop of \$1-\$1.50 in the Opec marker price within six months, followed by a further decline of \$2-\$3 a barrel by early 1983.

EFFECT OF RECESSION ON OPEC DISCUSSED

London 8 DAYS in English No 3, 23 Jan 82 p 56

[Article by John LeRoux]

[Text]

PRESSURED by the short-term need to recapture their traditional share of the world market and slow the erosion of their foreign exchange assets, the 13 Opec nations are pushing for a new, more flexible, formula to devise their long-term strategy.

So far at least seven Opec members — including Iraq, Iran, Venezuela, Libya and Algeria — have backed away from a draft submitted in autumn 1980 by the Saudi oil minister, Sheikh Yamani, in his role as chairman of Opec's long-term strategy committee. Apart from setting rough guidelines to strengthen Opec's privileged relationship with Third World countries, the document suggested a complex three-tier price index system pegged to a quarterly basket of OECD countries' growth and exported inflation levels, plus the exchange rate performance of eight European currencies, the yen and the dollar.

While the document was undoubtedly a major Opec contribution to any renewal of the North-South dialogue, the main issue currently facing the organisation is the depressed state of the world oil market. Oil inventories around the world are definitely dropping, and while several projections forecast the need for an increase in Opec oil liftings by the spring, the upturn in the market will remain slow and contingent upon a resumption of OECD economic growth.

Yet if the war between Iraq and Iran comes to a final showdown, the loss of some 2m barrels a day could send shock waves through the market. Pressure on prices would build up again, something most oil producers — especially those from the Gulf — wish to avoid, to prevent a further erosion of their long-term market share. Peace

on the other hand would also bring its problems, by severely undermining an already-vulnerable price structure.

'Even countries that sounded so optimistic over the long-term strategy formula a year ago are having second thoughts about the whole scheme today,' claims an Opec source who used to sit on the long-term strategy committee of experts. 'They are frankly too busy trying to regain their customers and to restore their previous level of exports. The whole document doesn't fit anymore with day-to-day market realities.'

'Another important factor,' adds the expert, 'is the totally different context now prevailing compared to that of 1978-1979. Don't forget that Opec's production then reached a high of 30m barrels a day — a third more than today. Moreover, there was a good political balance within the organisation, with no single country calling the tune. Nowadays, Saudi Arabia has the greatest leverage of all producers, thanks to a tremendous "swing production" capacity. Their position is deeply resented by weaker exporters.' As far as this expert is concerned, the basic price concept of a long-term strategy is in limbo.

Indeed, although a clear majority of oil producers wish to revise the 1980 formula, for several conflicting reasons, there is as yet no common agreement on any alternative. Everyone agrees that the index system must be loosened up to allow for unforeseeable shakeups in the market. But as long as production-to-reserve figures continue to vary wildly from one country to another, no magic formula is likely to meet all 13 producers' needs and expectations.

Opec is thus temporarily shifting its attention from the pricing issue to tackle

more generally accepted principles on relations with developing and industrial nations. The most that can be done about prices in the short run is to widen the actual spread between prices of light and sweet crudes from North Africa and Indonesia and the heavier and more sour crudes of the Gulf and Venezuela.

The first step in this direction was made in Abu Dhabi, and further adjustments are expected at the Quito meeting in May. This move is meant as a financial incentive for refiners abroad to upgrade their cracking facilities to process greater amounts of heavy oil — which forms the backbone of Opec reserves — and has nothing to do with the price differential structure of Opec. At a time when world markets are flooded with heating and bunker oils, the move should help to iron out the excess stocks at this end of the barrel.

Yet the North African producers and Iraq believe this decision can't be made on an ad hoc basis, but should rather be part of a new overall approach towards freight and quality differentials. Why, asked Algerian Oil Minister Belkacem Nabi recently, must heavy crude prices be lowered instead of making the cost of the scarcer lighter end of the barrel more prohibitive in the market place? And indeed, setting these differen-

tials has always been at the centre of Opec disagreements since the first 'oil shock'.

The basic goals of the original Opec plans vis-a-vis Third World countries will however be broadened. These include guarantees to meet Third World oil requirements in periods of shortage, financial help when oil prices shoot up and assistance towards energy autonomy. Whereas Opec has so far only participated indirectly in North-South dialogue through its members, it has now decided to step in as a unified bloc alongside the Third World nations. This is a novelty, since it means that Saudi Arabia has abandoned its position (held until a year ago) whereby Riyadh encouraged strictly bilateral means for oil producers to win access to industrial markets for their refined and petrochemical products.

On the other hand, 'security of supplies', rather than pricing or production levels, will become a major North-South issue, according to Sheikh Yamani. By that, he means a thorough exchange of data on energy supply and demand worldwide, including non-conventional hydrocarbon sources, to allow Opec producers to plan ahead. That explains why the Saudi oil minister is so insistent on a 20-40 year time frame for Opec's revised long-term strategy.

IRANIAN DESIGNS ON GULF ANALYZED

London AL-MAJALLAH in Arabic No 98, 26 Dec 81 - 1 Jan 82 p 11

[Article by 'Adnan Saidq: "AL-MAJALLAH Publishes the Whole Story Concerning Iran's Conspiracy Against the Gulf!"]

[Text] The Saudi news media has never talked about the Iranian regime's policy as it did last week after the disclosure of the conspiracy which Iran had planned against the Gulf nations, to be carried out by Iran's clients in the area. It had been decided to begin to carry out the conspiracy in Bahrain, with the objective of overthrowing Bahrain's regime and taking over the government in that country.

The fact is that the conspiracy, which the government of Bahrain announced that it had uncovered, was not aimed at Bahrain alone. In fact, it was also aimed at other Gulf nations. Prince Nayif ibn 'Abd al-'Aziz, the Saudi minister of interior, asserted that Saudi Arabia was actually among the countries which were the target of the group's conspiracy. This operation is considered to have been the first of its kind since the change of regime in Iran, even though relations between the governments of the Gulf nations and the Iranian regime have been tense and abnormal since that time because of Tehran's policy which is based on the principle of "exporting revolution" to the [other] Muslim countries.

How did the Iranian authorities plan this conspiracy of sabotage, and how was it discovered? 'Adnan Sadiq, AL-MAJALLAH's correspondent in the Persian Gulf area, has written the following report concerning this:

A year ago the Iranian government set up training camps which it called "Islamic Liberation Front" camps for [the Liberation of] the Arab Gulf nations. Through its embassies, the Iranian government began to recruit some citizens of the Gulf nations under the slogan of "exporting revolution and liberating nations." A security source in the Gulf area has revealed that there are more than 18 such camps in Tehran, Shiraz, Isfahan, and other Iranian cities. Volunteers are brought to Iran under the supervision of the Ayatollah's government and there they receive between 6 months and a year's worth of training. During that time they learn the skills of using weapons, remote sighting, how to use different types of hand explosives, and how to both transmit and receive by radio. All of this takes place under the supervision of Iranian military personnel, and using Israeli weapons.

Early this December the first man in the group arrived at the Dubai airport in the UAE. The form of the stamp which was in his passport aroused the suspicion of the airport security policy. The reason for this was that the stamp was that of one

of the Gulf nations, but it was clear that it had been forged because it was larger than normal. In addition to this, the passport contained an official stamp from an Iranian bank concerning changing a large amount of money into Iranian riyals, and there was no visa stamped showing that the man had either entered or left Iran. The amount of money involved was half a million Iranian riyals. The young man from the Gulf was arrested, and the investigation concerning him began. This was the first thread which led to the discovery of the details of the sabotage operation.

This man of Bahraini nationality who was the first one charged and arrested confessed to the security police authorities in Dubai that the conspiracy group would be arriving during the next few days. However, he said that the members of the group would not be arriving from Iran. He said that the members of such groups usually go back to their own countries after they have completed their period of training in Iran and from there they go to the area where they are supposed to carry out their operations. He said that it is done this way in order not to arouse suspicion and also because there are no travel restrictions between the Gulf nations for the citizens of Gulf nations. The investigation uncovered the fact that the members of the group had been entering and leaving Iran without having their passports stamped either during entry or during exit in order that what they were doing not be discovered in their own countries. The man who was arrested also confessed that the first stop for the members of the group was Bahrain, where they were to arrive by means of seaports and airports, and the handbags which they would be carrying would have small red markings on the upper right-hand side. The Investigations Division of the Dubai police informed the security authorities in Bahrain of this. The contact between the member of the group arriving and the person there to meet him in the airport was to be made as follows: The person there to meet him would ask the person arriving if he had a match. The person arriving would then answer him that he has only one match. Then the person there to meet him would ask him for half of the match. This way he would know that the person is one of the members of the group, because generally the members of such groups do not know each other in advance.

Then the security authorities in Bahrain arrested the members of the group. It turned out that they were of various Gulf nationalities--13 Saudis, 45 Bahrainis, 1 Omani, and 1 Kuwaiti. The investigation of the members of the group began in Bahrain after the security authorities managed to seize four of their hideouts in Bahrain. These hideouts were residences which had been rented to serve as bases for the group, and the members of the group gave false names so that they would not be discovered in case their first operation did not succeed. In these residences the security authorities found complicated precision coding equipment and wireless communications equipment intended to enable the group to maintain contact with its headquarters in Tehran.

Why Bahrain?

Why was Bahrain chosen as the starting point for the group's sabotage operations, and how was the group to carry out its operation?

According to the information obtained by the security authorities in Bahrain, the choice of Bahrain as a starting point for the operations was not a random choice. In fact there were a number of reasons for this choice. The most important of these reasons was that Bahrain, on the day that the conspiracy was to be carried out, was going to be celebrating its national holiday. This day was 16 December [1981], and on that occasion all of Bahrain's government institutions would be busy with the celebration. The groups' plan was to have some individuals, who had been

recruited in Bahrain because they were skilled in the use of weapons, start up demonstrations in an area called al-Mumaraq, and then the police would come in order to break up the demonstration. At that point the members of the group were to start firing their machine guns at the police, then another group of armed men, who had been lying in wait along the way to the location of the demonstrations, would arrive [and join the battle against the police]. In the meantime another group would have entered the building complex which houses the government and would have taken hostage the government ministers who were supposed to be there. At the same time, another group which would be at the location of the festivities would undertake the operation of physically eliminating Bahrain's Amir, Shaykh 'Isa ibn Salman Al Khalifah. Shortly thereafter Radio Tehran was to announce that a revolt had started up in Bahrain and would call upon the people [in Bahrain] to rally around it because Iran was supporting it. Then the group was to broadcast a bulletin over the radio after occupying the radio station as well as the other important security command posts.

The second reason for Bahrain being chosen [as the target of the conspiracy] was the fact that it is right in the middle of the Persian Gulf. Bahrain is an island and consequently, according to Shaykh Muhammad ibn Khalifah Al Khalifah, the minister of interior, if the revolt had succeeded it would have been possible to totally control all of Bahrain's islands and this would have made it easy to carry out operations mounted against the other Gulf nations. Bahrain has made an official protest to Iran because it recruited and trained the members of the group.

Subsequently, the Bahraini Ministry of Foreign Affairs ordered Mr Husayn al-Sabbagh, Bahrain's ambassador to Iran, and the members of his embassy staff to expeditiously leave Iran and return to Bahrain. The Ministry of Foreign Affairs also ordered the Iranian charge d'affaires [in Bahrain] to leave Bahrain. These developments occurred after the discovery of the weapons which the members of the group intended to use in the operation. They had been smuggled [into Bahrain] from Iran and hidden in a cattle shed at the residence of the head of the group which is located in one of Bahrain's villages. The cattle shed contained a number of machine guns and a lot of ammunition and explosives. The machine guns and ammunition were of French manufacture, the hand grenades were of Soviet manufacture, and there were a number of Israeli pistols. The most important verbal reaction to the sabotage attempt against Bahrain has been the remarks made by the Saudi minister of interior, Prince Nayif ibn 'Abd al-'Aziz. He stated that "no one is able to infringe upon the security of this area, to foment instability in the countries of the area, or to spoil the good spirits of the citizens of these countries." He pointed out that "the area enjoys stability and will continue to do so." The Saudi minister added: "Saudi Arabia considers that Bahrain's security and the security of the other Gulf countries is the same as Saudi Arabia's security, and Saudi Arabia will stand together with its brothers in Bahrain and in the other Gulf nations when combatting actions such as these. According to information which we have, there is no doubt that Saudi Arabia was one of the target countries of these actions which were mounted by the government of Iran."

Last week Prince Nayif ibn 'Abd al-'Aziz visited Bahrain and signed a security agreement made between Saudi Arabia and Bahrain. He said that the agreement organizes and regulates action taken by, and the relationship between, the two countries' ministries of interior and security apparatuses, and also concerns itself with everything else which has to do with matters of the security of both nations. Prince Nayif expressed his hope that the other Gulf nations would sign similar such agreements and that a single agreement would then include all of the Gulf nations. The Saudi minister of interior asserted that "the Saudi armed forces are ready to be stationed in any Gulf nation if requested to do so, and on short notice."

The "Terrorist of the Gulf"

Prince Nayif ibn 'Abd al-'Aziz, at a press conference which he held in Bahrain which dealt with the position taken by Saudi Arabia and the other Gulf nations concerning the Iranian regime, said: "I hope that this conspiracy against Bahrain will bring to light matters which might be known to the security apparatuses in the area and will confirm the intentions which Iran's current ruling regime has. We had hoped that Iran, our neighbor and friend, would not have such intentions. But after what has happened in Bahrain, our hopes have unfortunately been dashed and it has become clear to us that Iran has become a source of danger and harm to the Gulf nations and their security." The Saudi minister went on to say: "At the very beginning of their revolution, the men in power in Iran said that they would not be the policeman of the Gulf. Today they have unfortunately become the terrorist of the Gulf. Iran previously considered itself to be the policeman of the Gulf, but even in those days there did not happen what is happening today because of the actions of the men currently in power in Iran who have said that they are hoisting the banner of Islam and consider that their policy is being guided by the Islamic faith. But now we find that they have violated Islam by doing harm to [other] Muslims. If they are true Muslims, then let them fight alongside the Afghan people to defend Islam in Afghanistan." Kuwait, the UAE, Iraq, and the other Gulf nations have proclaimed that they are standing by Bahrain in defense of the security of the Gulf. This operation is expected to be the most important point on the agenda of the meetings between the ministers of interior of the GCC nations which will be held in Riyadh next 15 January [1982].

A source in Bahrain's Ministry of Foreign Affairs does not consider it unlikely that, after the discovery of this Iranian plot against the Gulf, the Gulf nations which still maintain diplomatic relations with Iran will undertake to break off relations with Iran and withdraw their representatives from Tehran.

It is certain now that relations between Iran and the Arab nations, especially the Gulf nations, have reached the lowest point possible. The GCC nations, whose position with regard to the Iran-Iraq war was one of support for Iraq concerning the issue of Iraq regaining its sea and territorial rights, had made sure that their support did not go beyond that. In fact, the Gulf nations had informed the two parties in the conflict that they would be neutral after Iraq regains its internationally recognized rights. But these nations now find themselves confronted by an Iranian provocation which involves interference in their internal affairs under the slogan of "exporting the revolution." From informed sources AL-MAJALLAH has learned that the GCC nations have recently circulated a memorandum which calls for discussing all aspects of the Iranian issue during the next meeting of the GCC's foreign ministers. All circumstances and indications show that the Gulf nations are now fully convinced that there is no hope for improving relations with Iran's regime and that it is their right, as long as Iran was the one which started the provocations, to take all possible measures and guarantees to protect themselves from any threats or sabotage attempts--even though these measures and guarantees might occasionally call for the adopting of confrontational positions rather than defensive positions.

9468

CSO: 4404/226

GCC STATES PREPARE UNIFIED OIL POLICY

Jiddah SAUDI BUSINESS in English No 40, 29 Jan 82 p 13

[Text]

The Gulf states not only will work in their complimentary role within the Organization of Petroleum Exporting Countries (OPEC), but if necessary the Gulf countries will overrule OPEC regarding its decisions, the secretary general of the Gulf Cooperation Council (GCC) said last week.

"Whether we like it or not OPEC revolves around the GCC," Abdullah Yacoub Bishara told members of Bahrain's Society of Engineers last week. Bishara also told the group that when Gulf oil ministers meet in early February, they will decide on a unified Gulf oil policy for the first time. "The policy will be consistent with OPEC, but it will be a unified policy from the Gulf states — with coordination not only in production and pricing, but in our search for alternatives," he added.

Saying that "we are aware of our responsibilities," Bishara emphasized that although Gulf oil ministers may not be able to deal with oil the way they wish or want to, any steps the ministers do take will govern the outflow of oil from the area. The two largest oil producers in the world — Saudi Arabia and Kuwait — are members of the GCC. In answer to a question at the engineers society's annual dinner, Bishara said, "Any timetable for a full-fledged confederation charter needs time .. but the GCC's philosophy is that it is a confederal structure whose aim is total unity. We move on the basis of this perception."

The GCC charter was signed May, 1981, in Abu Dhabi by the heads of the

states of Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman and Bahrain, and laid down the basis for economic integration and a definition of a unified Gulf foreign policy.

Finance ministers from the Gulf states already have initialed a common economic agreement, which was ratified by the heads of state in Riyadh in November, 1981, and signals a new era in Gulf history. "It will change the face of the Gulf by transforming it from separate markets and provincial concerns to one large common market in which Gulf nationals can move freely, have full ownership of property and receive all the privileges accorded the nationals of the member states," Bishara said.

He added that without cooperation on security, such an economic agreement is inoperable. Consequently the most pressing need for the Gulf now is "military coordination with a view to obtaining a strong Gulf power. Without Gulf power our protestations on nonalignment and self-reliance become meaningless," Bishara said.

The secretary general was chairman to the United Nations Security Council in 1979, and during his 10-year tenure Bishara represented Kuwait at the U.N. He places great emphasis on the principles of non alignment in the Gulf and opposes superpower politics. But this can only be achieved by the establishment of military bases in the area and "a military power that enshrines these principles," Bishara said. In an earlier interview with *Saudi Business* Bishara explained that he was not talking of just

standardizing Gulf military equipment or proposing a system of defensive support among the Gulf states, but a kind of rapid deployment force that would have in its ranks nationals from all the six states. The soldiers would wear a common uniform, receive the same training and be under a single command. Only with such a force could the six Gulf states be united as a council for "stability, for Arabism and for the policy of nonalignment," he said.

Saudi Arabia ratified such an agreement the day following the attempted coup in Bahrain last month. GCC defense ministers are meeting "very soon" in Riyadh to consider the ways and means of implementing the recommendations of the chiefs of staff in September, 1981, when they laid down the basis for military cooperation.

But such accord will not be as difficult as it might seem, for as Bishara repeatedly pointed out during his address, "the Gulf is the center of political gravity not only for its wealth, but mainly for the serenity of its views and judgment." He stressed that the Gulf's stability is derived from its political institutions that are far stronger than the world had realized.

If the Gulf nations want, as the GCC spokesman says they do, "elimination of foreign influence and pressure" then they must pour all their energies into the Gulf cooperation and build a united Gulf, he said. And this means wiping out absolutism. "In any joint-action there must be room for compromise," Bishara told the Bahrain Society of Engineers, whose ranks contain many ministers and members of the GCC technical committees.

Bishara concluded, "To achieve our goals we need strong public opinion that is aware of the necessity for collective approach. And we need the people's realization of the fact that there must be a sacrifice by the leaders and the people."

BRIEFS

GOIC PROJECTS--The Gulf Organisation for Industrial Consulting (GOIC) has been holding talks with Abu Dhabi on the establishment of a \$200 million petroleum coke plant in the Emirate. Dr Abdallah al-Mujel, Secretary-General of the seven-nation organisation, told Reuters that the GOIC was also negotiating with Qatar to set up a \$220 million acetic acid plant with an approximate annual capacity of 82,000 tons. The Secretary-General of the Doha-based GOIC did not say when work on the projects would begin. If Abu Dhabi and Qatar approve them the GOIC will canvass member countries for funds. Under the organisation's charter, at least four members should agree to participate in a project to give it the go-ahead and no one country can hold more than a 50 per cent share in any project. The GOIC approved feasibility studies for both schemes last month. Technicians from the GOIC and from ADNOC, the Abu Dhabi National Oil Company, will meet early this month to discuss final details of the proposed petroleum coke plant which is designed to feed aluminium smelters in Bahrain and Dubai. The plant, which is to have a capacity of around 160,000 tons a year, will be built at ADNOC's Al-Ruwais refinery because of the low quantity of sulphur and metals in the residue there, Dr Mujel said. The Secretary-General indicated that the GOIC has an aluminium strategy which provides for an annual production figure of 750,000 tons. Bahrain and Dubai currently produce about 250,000 tons a year. The petroleum coke from the Al-Ruwais refinery will meet the requirements of all the Gulf's aluminium plants, according to the OPEC news agency. Dr Mujel added that a one million ton alumina project was under consideration that would cost about \$5 billion, but said it was too soon to go into further details. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 11]

NEW GULF BANK--Gulf investors massively over-subscribed last week to a share offering in the new Bahrain International Bank, with a reported \$5 billion worth of applications processed for an offer of \$28 million worth of shares in the bank. The share offering was open to citizens of the member countries of the Gulf Cooperation Council--Kuwait, Qatar, Bahrain, Saudi Arabia, Oman and the United Arab Emirates. The founders of the new bank include members of the royal families of Saudi Arabia, Kuwait, the UAE and Bahrain. A spokesman for the bank said between 150,000 and 200,000 persons had applied for shares, with many offering to buy huge quantities. Heavy over-subscription of share offerings is common in the Gulf, where there is limited scope for private investments by Gulf nationals, and investors will only receive a small proportion of the shares they seek. Bahrain International Bank is expected to begin operations as an offshore bank with international facilities around the middle of this year. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 4, 25 Jan 82 pp 11-12]

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CURRENT COMMERCIAL, INDUSTRIAL SCENE EXAMINED

London 8 DAYS in English No 4, 30 Jan 82 pp 21-36

[Article by Nigel Ash]

[Text]

Despite a high level of policing Bahrain maintains a relaxed atmosphere, with no signs of political discontent: a good environment for international businesses

When news of the attempted coup on Bahrain's National Day (16 December) reached the outside world, international banks bombarded their offices in the island's capital Manama with anxious telexes.

The next morning Bahrain's expatriate bankers read them with amusement. They had endured the capital's normal chaotic rush hour, down streets patrolled by just a few more policemen. That evening the island's leading bankers sat down to their annual dinner with the finance minister, Ibrahim Abdul Karim. Inevitably the conversation centred on the events of the previous day, but the consensus was that the authorities had contained the trouble and that Bahrain's position as one of the world's leading offshore banking centres was unaffected. And nothing has happened since to change that viewpoint.

A major contribution to this reassertion of stability was Manama's decision to issue regular statements to the media on the arrests and investigations that followed the discovery of the planned coup. This was a radical departure from standard policy.

During past disturbances, such as those of Muharram 1979, the government simply refused to comment. This policy worked, in that after a few weeks, inquiring journalists had to give up their search for a story. Unfortunately, the power of rumour being what it is, the population initially believed that the situation was far more serious.

It is difficult to gauge the extent of anti-government sympathy among the island's majority Shia population whose main centre is the town of Aali. The emir, Sheikh Isa bin Sulman al Khalifa, who has pursued a policy of strict even-handedness towards both Sunnis and Shias, is a popular ruler. The unrest that triggered off December's coup plan was almost certainly fomented by Iran, which daily broadcasts torrents of abuse and revolutionary invective.

Information Minister Tariq Almoayyed told *8 Days* that the Bahrain government made no effort to counter these propaganda blasts. 'They counter themselves. When the Iranians say that the Bahraini authorities have arrested 5,000 citizens, everyone knows it is ridiculous. Bahrain is a small island. If the police arrest one or two people, everyone knows it within a short time.'

One senior Bahraini government official expressed great bitterness at the behaviour of Imam Hadi al Mudarasi, whom the

authorities have identified as the instigator of the National Day plot. 'This man came to our island as a refugee from the Shah's police and we gave him asylum. He repaid our hospitality with treachery.'

Mudarasi's dissident activities on the island eventually forced the authorities to expel him in 1979.

When the plot was discovered, 60 people were arrested on the island, 45 of them Bahrainis, 13 Saudis, one Omani and a Kuwaiti. A further 12 Bahrainis, reportedly in Iran, have been given three months to return and face trial or their passports and citizenship will be forfeit.

The Bahraini authorities say they have nearly completed their investigations and intend to hold a public trial.

It is considered highly ironic that at the beginning of this year Iran demanded that Amnesty International investigate Bahrain's treatment of its coup plot prisoners. Bahrainis point out that Iran was cited last year by Amnesty as a major violator of human rights.

The feeling seems to be that if any death sentences are handed down by the Bahrain court, they are likely to be commuted, not only because the government is loath to present the Iranian religious revolutionaries with fresh 'martyrs', but also because all the alleged plotters, apparently members of the Islamic Front for the Liberation of Bahrain, are

under 30. They were described to *8 Days* as 'children who have been used by outside powers. They need to be punished but they also need to be shown how to be good citizens.'

Nevertheless the government has said publicly that it expects more trouble from Iran, not just in Bahrain but elsewhere in the Gulf. Since the December revelations there has been a noticeable closing of ranks among the Gulf states. Five days after the uncovering of the National Day plot, Saudi

Interior Minister Prince Nayef bin Abdelaziz came to Manama to meet his opposite number Sheikh Mohammed al Khalifa.

The two ministers signed a security cooperation agreement and Sheikh Mohammed announced that 'the time was now ripe' for the Gulf countries to form their own "rapid deployment force", under the aegis of the Gulf Cooperation Council (GCC). 'Money is available,' said the minister, 'and it (the force) will have a defensive role to protect the

wealth of this region.' The Saudi minister pledged that Saudi Arabia 'places its entire potential at the service of Bahrain's security'.

Such statements are very useful politically. In reality, Bahrain appears equipped to cope with any internal security problems, given a population of only 360,000. The efficient 2,000-strong police force is complemented by the 2,500 men of the island's defence force which comprises an infantry battalion, an armoured car squadron and three light helicopters.

Banking Enters the Technological Era

Bahrain's short banking history has been an illustrious one. A total of 125 international and local banks in the capital alone testify to how successfully the island has assumed Beirut's former role as the financial centre of the Arab world.

THE WESTERN banker smiled and passed a sheet of paper across his desk: 'Now if it comes off, this could be a very interesting deal indeed.' I looked at the gobbledygook of letters. 'It's our code. We only use it for very important telexes, and that's one of them. This island is becoming a tough market, and with the big ones you can't be too careful. May I have it back please?' he said.

Since Beirut shot its way out of the international banking scene, Bahrain has become the financial centre of the Arab world. The latest edition of the excellent B.A.I.I. (Middle East) E.C. handbook *Bahrain Banks*, lists 125 local and international banks that have put their name plates up in the island's capital, Manama. Of these, 65 are offshore banking units (OBUs), with combined assets of more than \$40bn. Since nearly all the major world banks are at present fighting hard for business, it is not surprising that coded telexes are becoming more common.

The Bahrain Monetary Agency (BMA) has been licensing OBUs since October 1975. Once a bank has been accepted by the agency its licence is granted for an annual fee of Bahraini dinars 11,000 (\$29,000). It is then entitled to operate without a tax on profits,

without the need to maintain local reserves and with no enforced liquidity ratios. The only condition is that except in certain circumstances, all business must be outside Bahrain, thus protecting the growth of the local banking community, the leading members of which are the National Bank of Bahrain and the Bank of Bahrain and Kuwait.

But it would be wrong to think that all 65 of the island's OBUs were locked in battle for the big deals. Some are small, virtually inactive banks, existing perhaps as a banking extension of a businessman's empire. One of the island's most experienced bankers told *8 Days* that the OBUs could be divided into three tiers: the top ten banks take 80 per cent of the business, a further ten get a good return (up to \$2m a year) and the remainder do very little business.

As yet, no OBU has given up its licence, nor has there been a bank failure. One Bahraini banker said: 'Even in the best-ordered markets, failures occur, and no doubt one day Bahrain will have its own problem bank. But the Monetary Agency is very careful in its licensing procedure, and very aware that Bahrain's growing reputation as an international finance centre needs protection. When there is a failure I think you

will see that the way in which the problem is sorted out by the authorities will demonstrate the maturity of the banking system here.'

An important new development in Bahrain's banking has been the announced launch this year of two offshore investment banks as public joint stock companies. The government changed its regulations last year to allow Bahrainis to invest for the first time in such companies. Earlier this month (January) The Bahrain International Bank (BIB) opened registration for a public share offer of \$28m, 20 per cent of which was reserved for Bahraini subscribers.

For three days, a queue hundreds of yards long formed outside the Manama offices where registrations were being accepted. Some potential investors are even said to have slept on the office stairs so as not to lose their places.

Not everyone came from Bahrain — investors had flown in from Kuwait, the UAE and Saudi Arabia, bringing their passports to the offices as identification. It is believed that when the applications are counted, the issue will have been oversubscribed by something like 500 times.

Similar share-buying fever is expected when the Bahrain and Middle East Bank (BMEB), until

now an exempt company with \$500m authorised capital, goes public in 1981. The bank, founded by about 30 institutions (mainly from Kuwait and the UAE) has \$200m worth of capital yet to be paid up. The first \$40m of a \$160m issue is to be reserved for individuals in Bahrain, and a second float in February of the remaining \$40m will have a further \$8m set aside for Bahrainis.

The involvement of Bahraini investors in the island's banking sector is seen by bankers as highly significant. 'It is good that our island is not like the Caymans, where the lawyers and the bankers have a private dance and leave out the locals,' said a Bahraini businessman. 'A large part of our future is tied up in our banking activities and it is right that we should be given the opportunity to have a financial share in that future.'

Further evidence of the growing sophistication of Bahrain as the Gulf's financial market is the existence of six separate foreign exchange dealers and money brokers besides the dealing rooms of banks such as the Arab Banking Corporation (ABC).

From July last year, the BMA began to license commodity trading. This move brought a growing market under stricter regulation. The confidence engendered by the BMA's watching eye is likely to boost commodity markets, as commodity trading houses have to report monthly to the agency.

The BMA has followed practice elsewhere and made a distinction between brokers and dealers. Dealers may trade on behalf of others as well as their own account. Offshore companies, which are normally forbidden to deal in Bahrain, are however permitted to trade with local citizens and expatriates, provided the deals involve a minimum of 200 fine ounces of gold or 5,000 fine ounces of silver.

No figures have yet been issued to show the extent of the investment generated by commodity traders, nor are there

yet plans for a fully-fledged exchange but there is quiet confidence that — barring any serious disruption in international commodity markets — Bahrain's involvement in the trade will grow.

Increasing computerisation is another example of growing sophistication among local banks. The international banks with presences on the island are already plugged into their home-based systems. In order to compete, Bahraini banks like the National Bank of Bahrain (NBB) have made substantial investment in computer hardware and wide-ranging software.

NBB have just completed the first stage of a three-phase plan to bring on line \$1.5m worth of hardware and a highly sophisticated \$250,000 software programme. The first phase has involved their retail operations: all but one of their 17 branches are now linked into the central computer, and this means that the bank's 20,000 customers (representing 28 per cent of the local retail and commercial market) can now do business at any one of the branches throughout the island. The second phase of NBB's computerisation, upon which its computer staff are now working, will enable the bank and its recently-established OBU to deal quickly with foreign exchange deals, letters of credit and drafts. The final stage of the computerisation will cover 'local enhancement' — such as risk analysis.

The trend towards computer use among the OBUs is gathering pace. ABC was set up with advanced computers, and now one of the island's longest established OBUs, the Gulf International Bank (GIB) has bought a software package from the London-based company ARBAT.

GIB's general manager Dr Khalid al Fayed told *8 Days* that the immediate purpose of the new system would be 'management information' but he did not rule out expanding the system to include other functions.

GIB is soon to announce

year-end figures, which are expected to show an increase on 1980's tally of \$2.9bn assets and \$12.4m profits.

Meanwhile Bahrain's OBU giant, ABC, with an authorised \$1bn capital (\$750m paid up) continues to expand its operations. The bank, which is owned jointly by the Abu Dhabi Investment Authority, the Libyan Secretariat of Treasury and the Kuwaiti Finance Ministry, has just announced a doubling of profits for last year.

Abdulla Saudi, the bank's Libyan president and chief executive, has said that, although slightly under target, ABC's profits are expected to be around \$100m, against the previous year's \$45m. More startling is the news that in its first complete financial year, the bank, which was established as a Bahraini joint stock company by special emiri decree on 17 January 1980, has increased its total assets (without any contingency element) by 145 per cent to \$4.79bn.

Abdulla Saudi launched ABC with an aggressive campaign in the international syndicated loan markets. By June 1981, ABC had led, managed or co-managed \$15.3bn in syndicated loans, making it seventh in the league table of lead managerships.

The majority of this dealing was sovereign risk business. A bank spokesman told *8 Days* that the next step was to move into corporate risk. ABC is understood to be announcing a substantial corporate deal very soon.

In the meantime the bank is pressing ahead with plans to set up a time-zone straddling network of international offices. A New York office began work in the last days of December and a London office has opened in Bishopsgate. Both the Federal Bank in New York and the Bank of England in London have given ABC approval for foreign exchange dealing. It is expected that a Singapore office will be in operation towards the end of this year and *8 Days* has learnt that plans are being considered for two European-based offices, possibly in Switzerland and Germany.

With banking business booming so nicely on the island, those

confidential code books seem set for a lot of use.

Energy Future Looks Rosy, But Local Prices May Rise

A comprehensive seismic survey of Bahrain's waters has indicated promising hydrocarbon reserves. Nevertheless, the Bahrainis are keen not to squander those reserves, and fuel prices on the island may be upped.

The future of Bahrain's oil industry is sitting in three fat brown volumes in the office of Hassan Fakhro, chairman and managing director of Banoco, the island's Government-owned oil company.

These contain the results of an 18-month \$17m seismic survey undertaken throughout Bahraini waters by the US company Western Geophysical. Analysis of the data will be completed this March. No one is anticipating that enough offshore oil and gas has been found to transform Bahrain into a major oil producer, but there does seem to be evidence that the island's dwindling oil output is in for a welcome boost.

'We have been optimistic from the beginning,' said Hassan Fakhro, 'and the preliminary results have been encouraging. We are already in the process of booking rigs. In the last quarter of this year, we are going to drill four offshore wells, one on each side of Bahrain, though the final locations will depend on our final evaluation of the survey's results.'

The most promising offshore areas are to the north of the island, where exploration took place just over 20 years ago. The last offshore well to be spudded was in 1959, into what the less sophisticated seismic technology of the day divined to be a simple anticline. However, the rig was off-structure and although evidence of oil and gas was found, further exploration was abandoned.

Banoco intends to explore and produce from all Bahrain's offshore blocks except three to the northeast. These areas make up a concession once held by Continental Oil, then by Zapata and now by Union Texas, who will be making a first test drill soon.

The Bahrainis are under no illusions about the size of the investment needed to develop offshore oil. Hassan Fakhro told

Days that each of the wildcat wells, to be drilled to the bottom of the structures — a depth of between 15,000 to 20,000 ft — will cost \$50m. Even so, Banoco is watching its costs. The Western Geophysical survey would have cost considerably more than \$17m had the Bahrainis not worked out a deal with the Kuwaitis, who were also anxious to have some seismic surveys done. Though the surveys were separate, by having Western Geophysical come into the Gulf to handle both operations as, in effect, one job, the Bahrainis made a substantial saving.

Fakhro was unable to say just how quickly Bahrain is likely to develop the oil and gas fields it may find in its coastal waters. 'It will be at least a year before we start to order equipment (to bring hydrocarbons ashore). However it seems logical to maximise on what we find.'

Meanwhile Bahrain continues to produce onshore oil and gas. On 1 June 1932, a New Zealander, Major Frank Holmes, discovered the first oil in Bahrain. It was also the first strike to be made anywhere in the southern part of the Gulf. Bahrain's oil production rose to a peak of 76,639 b/d in 1970.

In 1977, crude production from the field near Awali in the centre of the island averaged 58,182 b/d. The average for 1981 was 46,206 b/d. Banoco spent \$2m in 1980 on a study of the prospects for enhanced crude recovery, but it is understood that the results suggested that the life of the

island's proven onshore reserves could be extended little beyond the present estimate of 16 years.

However with gas, the situation is very different. Total production of non-associated gas from the Khuff field has continued to grow. In 1981, average production was 336,262m cubic feet a day (mcf/d), and in July, August and September, it topped 400m cfd.

Fakhro is also chairman and managing director of Banagas, the island's gas company, which is 75 per cent owned by the Bahraini government. Caltex Bahrain and Apicorp each hold 12½ per cent. Fakhro told *8 Days*: 'Throughout 1981 we continued normal development in the field. The gas here, of course, is more important than oil because of the requirements of Bahrain's industry and power generation.

'In 1982 we are going to drill at least six wells to 12,000ft for deep gas. Those wells should give 300m cfd of gas. We could drill up to ten wells in the next five years. By the beginning of the next decade we could more than double our gas production to a billion cubic feet a day.'

Banagas' gas processing plant at Jabal, completed in 1979, has been a remarkable success story which Hassan Fakhro says was brought about by luck as well as judgment. 'We were lucky,' he said, 'because the project was built during a recession. It costs us \$100m. Today it would have cost us considerably more. The plant was completed on time, production started in January 1980 and reached full production (a gas feed rate of 100m cfd) by March or April that year. This was at precisely the time that prices for butane and propane went up. In effect, we bought cheap and sold dear, when LPG prices were at record levels.

'The feasibility study of the project said the plant would pay for itself after three to four years. Instead, we paid back our loan in June or July 1981, nine months in advance. We were very unpopular with the banks.'

Monthly exports from the Jabal plant last year ran at nearly 11,000

tonnes of propane, 10,000 tonnes of butane and around 80,000 tonnes of Naphtha. All output was taken by the energy-hungry Japanese. Dry gas left over from the Jabal processing was sold to Aluminium Bahrain (Alba) who last year also took an average of 29,142mc³/d of non-associated gas direct from the Khuff field.

Production from the island's refinery at Sitra has also increased. The refinery had been built and run by Caltex, since 1935. In May 1981, the Bahrain government took a 60 per cent stake in a new company, Bapco BSC, in which Caltex was the minority shareholder. Bapco BSC now runs the refinery and has set about improving and upgrading the plant. Last December the installation, designed to process 250,000 b/d, actually put through 265,000 b/d.

Saudi Arabia supplies 100,000 b/d of this crude, as part of an offset deal between the two countries, which share production in the Abu Saafa field to the north of Bahrain. Oil from this field, taken ashore in Saudi Arabia, has been flowing at the rate of 54,000 b/d after peaking at nearly 70,000 b/d in 1978.

Bahrain's medium-term future as a hydrocarbon producer seems on the face of it to be rosy. The potential wealth to be generated from offshore oil is not even being considered taken into government reckoning at the moment. There is a cautious, measured approach to gas and oil, and the Bahrainis seem determined to wring every ounce of value out of proven hydrocarbon resources.

There is, however, one important hurdle to be surmounted — that of local fuel prices. In oil-rich countries like Qatar, the UAE and Saudi Arabia, the price of petrol for instance is so low that it amounts to just a service charge to pay for the petrol pumps and the upkeep of the garage.

In Bahrain a litre of petrol (leaded) costs around 60 fils (16 US cents). Until last year, Bahrain's power stations at Juffair, Sitrah and Riffa were being supplied with gas free of charge. In 1981 a nominal price was levied. However electricity remains very

1981 oil development wells *		
well number	zone	production method
336	Mauddud	gas lift
337	Mauddud	gas lift
340	Cab	gas lift
341	Cc	gas lift
342	Cc	flow
343	Arab	flow
344	Arab	flow
345	Magwa	pumping
346	Magwa	pumping
347	Magwa	pumping
348	Ab	pumping
349	Ab	pumping
350	Ab	pumping
* no gas development wells were drilled during 1981		
1982 oil development wells (to be drilled)		
well number	zone	production method
306	Arab D	flow
338	Cd	gas lift
339	Arab D	flow
351	Cd	gas lift
352	Ac	gas lift
353	Arab D	flow
354	Ac	gas lift
355	Cc	gas lift
356	Cd	gas lift
357	Mauddud	gas injection
1982 gas development wells (to be drilled)		
well number	zone	production method
358	Khuff III	flow
359	Khuff III	to be confirmed
360	Pre-Khuff	to be confirmed
361	Contingent	to be confirmed

cheap to the consumer and consumption remains high despite campaigns to cut power use, particularly during the summer when power-profligate air conditioning systems are in almost constant use throughout the island's homes and offices.

The problem is how to make Bahrainis pay a market price for the energy they consume. One leading energy official told *8 Days* that he believed realistic electricity prices should be phased in fairly quickly: 'At the moment, rich and

poor pay the same price for their power. That doesn't seem to be fair.'

On the petrol front, the problem is more difficult. Bahrainis love their cars and at weekends often drive off with their families just for the sake of it. But though American gas-guzzlers are used on the island, especially as taxis, the majority of island motor cars are economical Japanese products. A realistic price for petrol would not be popular. However, the islanders are resigned to some increase

during this year. The government has either not decided or is unwilling to reveal how much this increase will be, but one energy official speculated that petrol prices could rise by at least 50 per cent.

The real difficulty on power pricing is over the cost of gas as a fuel for Bahrain's growing industries. The profitability of the island's aluminium industry, Alba, for instance, was originally based on the assumption that cheap power would always be available. But though this advantage was pivotal in the difficult early days, now that Alba is established and competing successfully in world

markets, it is considered important that it be phased out.

Yusef Sharawi, Bahrain's minister of development and industry, told *8 Days* that in eight years time Alba's concessionary gas rate will have been phased out completely and the company will be on its own in the market place. Alba accepts that this development is both inevitable and proper. The company's general manager, Gudvin Tofte, said: 'It is right that we should be expected to cope with realistic prices. Industries that have been built upon permanent power subsidies cannot by definition hope to be efficient in world trading terms.'

Alba--or How We Beat the Freeze and the Aluminium Glut

An ingenious corporate arrangement and skilled management have produced an unusually successful aluminium smelting industry in Bahrain, particularly striking in view of the fact that none of the basic ingredients for the operation are to be found among the Gulf island's natural resources.

For the past decade, something entirely alien to Bahrain has been growing rather well in pots — smelting pots, to be exact. There is no aluminium ore (bauxite) on the island, no coke, no pitch nor cryolite — all essential ingredients for aluminium production. However, the establishment of Aluminium Bahrain, known universally as Alba, has been a fascinating lesson in how a relatively wealthy but little-developed country can nurture an industry from scratch.

When the Bahrain government announced plans for the smelter in October 1968, it took a 77.9 per cent interest in Alba, the remaining shares being held by seven western companies. But by the time production started in 1979 the company had been restructured. All the western investors had dropped out except the US-owned Kaiser Aluminium Bahrain (17 per cent) and the German company Breton Investments (5.1 per cent) and Bahrain had sold a 20 per cent stake to the Saudi Public Investment Fund, leaving it with a majority holding of 57.9 per cent.

Alba benefits from a neat corporate arrangement. It exists merely to produce aluminium for its investors in precise proportion to their share holdings. The investors buy the ore, pay the cost price for turning it into aluminium (known as the 'transfer price') and then market it themselves. Their profit is made on the difference between the transfer and the market prices. Alba's duty is simply to run the plant efficiently.

For the past three-and-a-half years that responsibility has rested with Alba's Norwegian general manager, Gudvin Tofte, who came to the company nine years ago from ASV, Norway's state-owned major aluminium producer. Tofte has just overseen the installation and commissioning of Alba's fifth and sixth pot lines, the 152 new pots of which have upped the company's capacity from 125,000 tonnes per year to 170,000 t/y. The expansion cost Bahraini dinars 45.6 (\$120m).

Tofte is a production man through and through. He tours the plant every morning, knows most of the 2,000 employees (1,600 of

them Bahraini) and has an intimate acquaintance with every dial and gauge in the place.

He heads a management team, most of whom are Bahrainis. They are dedicated to wringing the very best from their equipment and this, says Tofte with a smile, has meant doing things with plant that its designers and manufacturers thought impossible.

In 1975 Alba suffered the nightmare disaster feared by all metal producers: there was a serious fire in one of the power plant's rectifiers. Power to two pot lines was cut and the metal in them 'froze'. Until then the accepted wisdom was that it was impossible to reheat the pots without cracking them, and therefore Alba was faced with the huge cost and task of replacing the 'frozen' pots, in which the electrolytic aluminium-producing process takes place.

But Tofte and his team had other ideas. 'The problem was to reheat the pots evenly' he told *8 Days*. 'No one believed it could be done. But we thought about it and then we did it. We worked 24 hours a day, or perhaps a little bit more. Using our technique of electrically pre-heating the pots, we got the line working after three weeks. We had lost only 4,000 tonnes of production and we had avoided a huge bill to replace the pots.'

Alba also learnt a lesson about its power station. When new rectifiers were installed, they were each housed in separate fireproof sections. The move paid off when last year there was another fire in a rectifier, caused by a leaking fuel pipe. The blaze was contained within the fireproof housing and power to the pot lines was only down for one hour — not long enough for the metal flowing round the plant to 'freeze'.

Tofte is proud of the consistent quality of Alba's product, which has caused end-users to write to the company in praise. The plant's production, which amounts to 1.2 per cent of world aluminium output, comes as ingots, rolling slabs, billets for extrusion and liquid metal in crucibles.

Further expansion plans are being studied. Tofte wants to replace the oldest 14 of the Alba power station's 24 turbines, all of which are 'open cycle', with 'double cycle' turbines that create extra power from boilers by using their waste heat.

This increase in power would enable Alba to choose from three options, says Tofte: expand the smelter, feed power into Bahrain's national grid, to halve their gas consumption (at present running at 140m cubic feet a day, 80 per cent of which is 'waste gas' from Banagas's processing plant at Jabal and 20 per cent direct from the island's gas fields).

If Alba were to go for expanding production, the new super-efficient turbines would allow it to put on an extra 110,000 t/y capacity. However, the company may have to wait for the capital necessary for the new gas turbines. Yusef Sharawi, Bahrain's minister of development and industry, told *8 Days* that during the 1982-1985 \$3bn development programme, the priorities, besides continued development of schools, hospitals, roads and other elements of the island's infrastructure, were the causeway, the planned steel industry and the Gulf Petrochemicals Industries Company. 'At all costs,' he said, 'we must avoid overheating the economy.'

Alba may therefore have to content itself with its present gas-fired plant power which, when it was built by the UK firm John Brown Engineering Gas Turbines, was the biggest such power station in the world. Aluminium production requires immense amounts of energy, so it is not surprising that in 1978 Alba's power plant was also the first gas turbine installation to log 1m running hours. A congratulatory plaque from John Brown hangs in the main power station control room.

The price Alba pays for its gas is confidential, but Tofte accepts that within eight years all subsidy will have been phased out. In a sense this is no concern of Alba's. It will charge its shareholders the cost

price for metal production, whatever that may be. Its only obligation is to keep that price as low as possible.

The complementary side of the island's aluminium industry is Bahrain Aluminium (Balco), which markets the Bahraini and Saudi share of Alba's production. In 1980 Balco's profits were \$48.5m. Its general manager, Sandy Ross-Macdonald, told *8 Days*: 'We are looking to a 15 per cent return on our shareholders' investment. We are taking 133,000 tonnes of Alba's 170,000 t/y production.' Balco is in competition with the only other Gulf aluminium producer, Dubal of Dubai. Among Balco's longstanding contracts has been the supply of rolling slab and billet to Iraq's rolling mill and extrusion plant at Nasiriyah, halfway between Baghdad and Bahrain.

Alba's annual input of raw material includes 340,000 tonnes of alumina and 23,000 tonnes of pitch from Australia, 88,000 tonnes of petroleum coke from the US, 31,000 tonnes of cryolite and 6,000 tonnes of aluminium fluoride from Italy and Japan. Its product is marketed by Kaiser and Breton Investments as well as by Balco: 73 per cent to Japan and China, 5 per cent to Arab states, 5 per cent to Europe, 4 per cent to the US and 13 per cent to the rest of the world.

Alba's shareholders benefited from the 1978 boom in aluminium demand and prices. At that time there was a 50,000-tonne stockpile at the plant. Long-term commitments for the purchase of raw material made it impractical to stop production. The shareholders had been faced with the choice of adding to the pile of unsold metal or marketing it at a loss. The aluminium boom enabled them to cut the stock to 15,000 tonnes. The market remained favourable during 1979, when a record profit (measured by the difference between transfer and market price) of \$28.5m was logged for the first half-year.

Thereafter, however, world demand fell, and the stockpile at Alba began to build up again.

There is now around 80,000 tonnes of unsold metal at the plant, metal which belongs to all four of the company's shareholders. This is not serious for Alba itself, for it is paid in advance for processing on behalf of its shareholders. It charges a token storage price only and has plenty of space left. The Saudi and Bahraini shareholders can afford to await better times, but *8 Days* understands that Kaiser Aluminium will find it less easy to wait it out.

Economic pundits are now prophesying a 1985 boom, particularly for European car-makers, who by then, so calculations go, will need an extra 1m tonnes of aluminium. Alba has the economic resources to hold on until the market improves, while uneconomic plants, like British Aluminium's Invergordon plant in Scotland, go to the wall. Alba's strength is its low fuel cost. The Canadian producer Alcan, which uses hydro-electric power has the lowest power overheads, and therefore the best profit margins but Alba remains among the world's cheapest producers.

By the time the Bahrain government has phased out Alba's gas price subsidy in eight years' time, the company can look to growing local markets, not the least of which will be the Bahrain-based Gulf joint venture, the Gulf Aluminium Rolling Mill Company (Garmco).

The project, which was announced in August 1980, will cost up to BD38m (\$14m) depending on whether it is decided to build a 'cold' or 'hot' rolling mill. The later, while more expensive, would enable the company to produce a wider range of products. At the moment Garmco has six shareholders — the governments of Saudi Arabia, Kuwait, Iraq and Bahrain (20 per cent each) and Oman and Qatar (10 per cent each). The mill is an initiative of the Gulf Organisation for Industrial Consulting (GOIC) and it is intended that Garmco will supply the entire Gulf market with aluminium sheet products.

However, the UAE is significant by its absence from the company. It

is possible that the Emirates may yet build their own rolling mill to take up production from the Dubai plant. The hope at Garmco is that the UAE will eventually come in on the Bahrain rolling mill and avoid over-capacity in the region. The four major shareholders would each sell a percentage of their holdings to give the UAE a stake in the company.

Salvaging a Profit From the Debris of Shipping

To offset the slump in the world tanker trade, the Oapec-owned Arab Shipbuilding and Repair Yard has diversified into recycling and manufacture.

Oapec's Arab Shipbuilding and Repair Yard Company (ASRY) in Bahrain does rather more than fix ships: it also produces air-conditioning units, water and oil — the last at a rate of 70,000 barrels a year.

The air-conditioning units are to be assembled at the yard on behalf of Kuwait Desalination Plants Fabrication Company. (Last year ASRY paid \$2m for a 15 per cent stake in the Kuwaiti company.) The highly purified water, which is essential for cleaning ships to avoid corrosion, is produced at the rate of 700 tonnes a day from desalination and chemical treatment plants.

The oil is produced by the yard's tank cleaning station. Using a converted tanker, the *White Beach*, ASRY washes out oil tankers before starting work on them. In its four years of operation the station has salvaged 40,000 tonnes of oil, producing around \$8m extra income for the yard.

This is just one example of how ASRY has sought to combine efficiency with cost saving. Another is the production of pure water. When the yard opened for business on 23 October 1977 it had three desalination plants in operation, each producing 250 tonnes of water a day. Recently ASRY responded to Bahrain's growing concern over excessive

power consumption throughout the island by installing a chemical treatment plant which treats and recycles water used in the yard at the rate of 200 tonnes a day. This has enabled the management to shut down one of its power-hungry desalinators.

The yard at the end of the man-made Hidd causeway jutting out from Muharraq Island has no fresh water, so there will always be a need for potable water which can only be produced by desalination, but it is likely that an extension of the chemical treatment will enable ASRY management to shut down a second desalinator.

Antonio Machado Lopes, ASRY's general manager, has presided over the yard since its opening. He came to the company from the Portuguese repairers Lisnave, whose wholly owned subsidiary Naveliuk holds the management contract (due for renewal in 1984).

From the start the accent has been on training Arabs to take over complete control of the yard. Of the 1,250 employees, 60 per cent are Arab, as are half the managers. Training at all levels is given in ASRY's own education block within the yard and many trainees go to Lisnave in Lisbon to polish their skills.

Since its opening, ASRY has operated one huge dry dock capable of taking vessels up to 500,000 dwt and two finger jetties, 170 metres by 21 metres, which can accommodate four vessels for in-water repairs.

But though occupancy has quite frequently been as high as 90 per cent, the \$340m yard has suffered from two setbacks in its efforts to reach profitability. The first has been the collapse of the tanker market, with Very Large Crude Carriers (VLCCs) and Ultra Large Crude Carriers (ULCCs) being sold to scrap yards long before their designated lifespan has expired.

Tanker owners would rather see low scrap prices than have to foot the bill for laying up or slow steaming their vessels in the hope that the oil and tanker markets will pick up in time for them to turn a

profit on their vessels.

New Inter-Governmental Maritime Consultative Organisation (IMCO) rules have forced owners of older ships to invest heavily in crude oil washing (COW), and inert gas systems to flush out flammable vapours. Many have sent their ships to the breakers rather than face a bill of \$1.5m or so per ship.

However ASRY has secured a share of COW conversions. Seven ships have been fitted with a Norwegian-designed system. The yard also hopes to acquire some of the work to be done on the estimated 200 tankers which are yet to fall in line with IMCO regulations.

The second setback has been the existence of just one, very large dry dock at ASRY. Though the yard has managed to organise multiple occupancy — they have had three ships in the dock at one time — this has not been satisfactory. Antonio Lopes told *8 Days*: 'Originally it was planned that ASRY would have, beside the main 500,000-dwt capacity dry dock, a 200,000-tonne capacity sister dock and a floating dock able to take vessels up to 80,000 dwt.'

'We have commissioned a study to see which dock we should build next — a gravity dock or a floating dock. The preliminary findings have shown that the floating dry dock is not the best solution. When we reviewed the position of the market, it seemed to us that we should be building a gravity dock of 150,000 dwt capacity. For the floating dry dock, we now have no plans.'

Under the proposal that will be presented to the ASRY board this spring, the sister dry dock should be built to the west of the existing dry dock, so that it will be able to share existing cranes and pumping plant. 'The overheads of the company will be less if we have got two dry docks,' says Lopes. 'It will also give the opportunity for more people to be employed here. We believe that the second gravity dock will produce 400 extra jobs.'

The second dock would cost between \$50m-60m and — together with dredging operations

and extension of the existing piers to enable ships to be moved out of the dock as soon as possible for completion of work while they are tied up — will add around \$40m to the bill.

'I hope it will be possible for us to go ahead,' said Lopes. The board's decision on the project is anticipated for this autumn. Assuming that Oapec members agree to come up with the extra cash, the second dry dock could be ready by autumn 1984 at the earliest and more probably towards the end of 1985. It is at that point, shipping observers believe, that ASRY will actually be in a position to break even.

One Dutch shipping man told *8 Days*: 'ASRY's promotion through their London-based marketing arm (ASRYMAR) has been very good. But their enduring problem is that they are limited to dry dock work on the big tankers. If they take anything smaller out of the water they are not making a real profit.'

According to Lopes: 'During the first six months of 1981, we came very, very close to breakeven point in our operations.' However, he conceded that sustaining such a level of work would be difficult. ASRY was competing in an open market against strong protectionism. 'Spain, Sweden, Greece and Japan all protect their repair yards,' he said. 'Here we have no such protection, nor do we want it. We are prepared to fight for our business at competitive rates.' Last year only 30 per cent of the ships handled by ASRY came from Arab countries.

The yard's fees at the moment are about 15-20 per cent lower than in Europe but 15 per cent higher than the Far East. However, ASRY's major selling point has been its location amid the largest concentration of oil terminals in the world. A tanker in need of repairs could steam to the Gulf, book into ASRY and, when fixed, sail straight to an oil pickup point.

Since 1978 the company has developed its own hospitality service for crews of vessels that come in for work. Buses take crew

along the Hidd causeway into Manama and tours of the island are available, as are interpreters.

For January and the first two weeks of February the yard has been fully booked up. But such is the nature of ship repair work that it is difficult to plan ahead.

At the moment ASRY is working on its largest and in many ways most difficult job so far. Last November the 323,114 dwt ULCC *Neiva* owned by the Portuguese government tanker company, Soponata, tied up alongside one of the finger jetties. As part of a \$2.5m contract, ASRY is to replace 2,600 metres of boiler tubing, carry out extensive repairs to the main boiler, perform insulation work, inspection and overhaul of all steam and water valves, and replace the air heater and steam superheater. The job is expected to take until March. ASRY officials expressed the hope that when the shipping industry saw how the yard was capable of such complicated repairs, more work would be drawn in.

Regional Integration is the Key to Bahrain's Economic Future

After the rapid collapse of its centuries-old pearling industry in the 1930s, Bahrain learnt that diversification is essential for a stable economy.

Despite the possibility of increased revenue from offshore oil, Bahrain has long planned for a future without 'black gold'. The island has already learnt how to change its economic base. Bahrain was once the most prolific pearl bank in the world, but in the 1930s the appearance of the cultured pearl destroyed a source of income that had flourished for centuries.

The 1932 discovery of oil — the first find in the southern part of the Gulf — saved the island from serious economic recession, but early hopes of a great abundance of oil were dashed, and once again the islanders were forced to cut their coat according to their cloth.

As it was, much of the island's oil reserve was exploited at a time when no producer state was receiving a fair return for its finite resource. Bahrain has, however, benefited from the recent oil price increases. Between 1976-1978, despite oil income, the economy has been in deficit. With the 1979 price hikes, income increased although oil production fell. In 1980 (1981 statistics are still being compiled), Bahrain had a trade surplus of Bahraini dinars 46.6m (\$124m). However, without oil earnings, the economy would be in deficit.

Economic planning has been geared towards the creation of an effective income base to sustain the country after its oil runs out. Between 1973-1979, the industrial sector, which includes Bahrain Petroleum Company's refinery on the east coast, expanded real output at an annual compound rate of 9.3 per cent.

Established heavy industries such as Alba and the ASRY dry dock are to be joined in the mid-1980s by the Bahrain-registered Gulf Petrochemical Industries Company complex at Sitra and the Arab Iron and Steel Company, as well as the Gulf Aluminium Rolling Mill Company.

These new ventures are all Gulf partnerships which it is hoped harbinger economic integration in the region; and Youssef Shirawi, the minister of development and industry, the \$1.2bn causeway the Saudis are financing between the mainland and the island is a still more potent symbol of growing regional integration. When the mammoth project is completed, Bahrain will feel an immediate benefit in the cost of foodstuffs. 'There is a 100:60 ratio difference in prices between Bahrain and the Eastern Province of Saudi Arabia,' Shirawi told *8 Days*. The causeway would cut Bahrain's cost of living almost overnight, and would also open up Saudi Arabia and other Gulf countries to Bahraini service industries.

At the moment, light industry is still developing on the island — for

instance, it was only at the end of last year that a firm started up to repair containers. The problem in the past has been that there has not been enough business on the island alone to encourage light industry. The causeway will, it is believed, stimulate demand and allow Bahrain to resume its historic role as the region's entrepôt.

Though, as reported in *8 Days* ('Letter from Bahrain' Vol 3 No 51), there is a strong gut feeling among many Bahrainis that the land link to the mainland will somehow deprive the island of a valued independence, the hard fact is that the causeway is an economic necessity, and the sooner it is completed the better.

Bahrain has long had an 'air bridge' to Saudi Arabia, with more than a score of flights each day. The causeway will make personal and freight travel cheaper, if not necessarily quicker. The island is now well-stocked (some believe overstocked) with hotel bedrooms. It is a long time since the only place to stay on the island was the Delmon Hotel: with the completion of the island's two newest hotels, the Sheraton and the Diplomat (run by Trust House Forte of the UK) there are now around 3,000 hotel rooms available. The land link will encourage tourism, and hoteliers hope that there will be a great deal more business to share.

Bahrain has the advanced telecommunications, the business knowhow and the infrastructure to continue to develop as a centre where the Gulf's business is done. The growing banking community has already brought much wealth to the island. While direct income from the annual licensing fees the 65 offshore banks pay to the Bahrain Monetary Agency totals only BD715,000 (\$1.9m) it has been estimated that the leading OBUs are generating income of around BD1m a year each.

1982-83 BUDGET FIGURES REPORTED

Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 4

[Text]

Bahrain's budget for 1982 and 1983 envisages total expenditure of BD 1.2 billion (\$3.2 billion), of which BD 560 million (\$1.5 billion) will go towards new economic and social development projects. The recently-released budget decree shows outlays matching revenues exactly. The total figure is nearly double the BD 668 million (\$1.8 billion) allocated for the years 1980 and 1981.

The government of the small island state, with its population of 385,000, uses two-yearly budgets as a tool for more efficient planning. The budget excludes major projects such as the Saudi-Bahrain causeway which are carried out with Arab and international financing. Saudi Arabia is footing the entire bill for the \$564 million causeway, which is scheduled for completion in summer 1986.

Bahrain, whose current oil production of around 50,000 b/d is not enough to cover its own requirements, has developed a prosperous economy based on thriving business and service sectors and a fast-growing industrial infrastructure. There are now over 100 international banks operating from Bahrain.

The present four-year development plan provides for the expenditure of BD 262.2 million (\$694.8 million) during 1982 and BD 325.5 million (\$862.5 million) in 1983. Expenditure for 1984 is estimated at BD 300 million (\$792 million) and BD 260 million (\$689 million) for 1985.

Western exporters and businessmen consider Bahrain a lucrative market especially for business machines (including computers and peripherals), health care, water desalination, agricultural products, furniture, laboratory apparatus, scientific and engineering equipment, electrical power generation, transmission and control facilities and building supplies.

CSO: 4400/130

ACHIEVEMENTS OF REVOLUTION LAUDED

Tehran KAYHAN INTERNATIONAL in English 7 Feb 82 p 16

[Interview with Prime Minister Musavi]

[Text]

The IRP newspaper moved along a straight line, and the brothers working there shared collectively the same feeling. Prior to the revolution I taught at a college faculty for several years. I was in prison for a while, which is not worthy of mention. Also I was in contact with several members of the Mujahedeen Khalq. We founded two or three companies to get engaged in political activities. During the operation of Husseinieh Ershad, I collaborated with Dr. Shariati closely. Its cultural and artistic activities were under my supervision for a long time. It is well known that after the revolution, I was active in the IRP, its Central Council and the newspaper.

Q: We are on the threshold of the third anniversary of the victory of the revolution. What is your assessment about the Bahman 22, Revolution.

A: I have always regarded the Islamic Revolution of Iran as a preliminary to the world revolution of the mostaz'afin. I find the most important reason as lying in the profound transformation in the souls of mostazaf people of our country as well as the changes in the standards that produced this revolution. Of course the ground of any revolution are the conditions imposed by the estekbari powers on the mostaz'af nations. But these grounds never lead to any fundamental transformation unless a fundamental change is

brought about in morality.

The objectives of the revolution is directed firstly within our boundaries, and secondly to outside. What was achieved in our boundaries was the destruction of the Shah's oppressive apparatus, which was an agent of western, particularly U.S., imperialism, as well as establishment of justice and the Islamic line, where men could develop and human capacities could blossom forth. What was directed towards the outside originated from the nature of the revolution, that is to say the Islamic Revolution has an historical root in all Islamic countries. Its manifestation was first institutionalized in Iran. It is natural that Iran can act as a focus for changing the face of the region and the world.

In spite of all sanctions the values of this revolution will cross all borders. This is greatly feared by the superpowers, particularly the U.S. They call this the export of the revolution. But the export of these values cannot be subjected to any sanction or propaganda, particularly if these values are deeply rooted in the nature and history of the world's Muslims and all human beings. This is particularly so if extensive social, political and economic grounds are prepared for this extensive transformation in the region and the world. The domination and cruelty of the U.S. and Zionism has paved the way fully.

The continued rule of the cruel regimes that are dependent on the U.S. the west and superpowers in general, will lead to the development and blossoming forth of the Islamic Revolution throughout the Muslim World.

Q: In view of the fact that you have always been in close touch with the problems and difficulties of the Islamic Revolution, both at the time you were working at the IRP's newspaper and now in the capacity of prime minister, can you tell us what have been the achievements of Islamic Revolution during the past three years?

A: The greatest achievement has been the purification of the line of revolution. The revolution quickly recognized the undesirable elements who would disfigure and lead it astray. It discovered and rejected these elements. This can be considered one of the special characteristics of the revolution.

Consider where the line of liberalism would have lead the revolution. Had it been able to obtain a foothold, we would witness the growth of a (Saudi) Arabian kind of Islam in our country, bearing in mind that hypocrites and all kinds of eclectic movements are at work.

When studying the exceptional aspects of the revolution, we should see clearly what they portend. This revolution has accomplished a great feat and played an important role in human develop-

ment and transformation. This should be studied separately in detail. Just to illustrate my point, I would like to refer to the spirit of seeking martyrdom, showing to what extent the idea of death and man's concept of the outside world have undergone a transformation. But apart from that, our rising nation and the whole world testify that this revolution has set itself the task of protecting the mostaz'afin.

At the present time, we witness that the theme of self-reliance is blossoming, and beckoning us to stand on our own feet and sever dependency. This dates back to the time when our people braved tanks and canons. The loss of fear encouraged them to face the U.S. and the superpowers to the extent that an Iranian, at present, finds himself capable of standing up against the whole world, if the latter decides to move along the line of oppression. This is our greatest asset. On the basis of this asset, we witness blossoming and progress in whatever front we enter, even where material and economic problems are concerned.

As an example one could cite the development programs which have been implemented in this country that illustrate the resistance of our nation against the sanctions of the west. This could not have been achieved except through this spirit. Why the sanctions were imposed and what dimension it had, are quite worthy of investigation and study. This study will be useful for the whole Third World and can be used as reference for all the countries who are in the process of rebellion against cruel systems.

Some details must be mentioned in this regard. You can refer to the economic program implemented during the last three years. In spite of all the vicissitudes and plots, we have undertaken massive road-building, construction of rural villages, digging of wells, construction of dams, increase of agricultural production and running industries which the American's did not think we had the capacity to do.

These are various cases which can be discussed individually.

Q: How do you assess Imam Khomeini's unique role as the leader of the Revolution?

A: As is implied in the question, it is a unique role. I think this exceptional aspect depends on various elements two of which I would like to mention in particular.

Firstly, there is the connection of this great leader to the source of inspiration and tradition and to the dear Islam and ideology in the real sense of the world. This fact has been able to produce a leadership which, through reliance on that ideology, and inspiration, as well as through the Islamic methodology of confrontation with world problems, has adopted a determined attitude and it finds solutions to problems under various conditions.

Secondly, the Imam has a deep familiarity with the ideals of the mostaz'af masses. Perhaps no individual can be found in our country during the last few centuries who is as sensitive as the Imam is towards the ideas and the heartfelt wishes of the nation. When the Imam speaks or makes a decision, it seems that it is the vast ocean of human beings that is making a decision. When he utters a word, it sounds as though there were millions of mostaz'af people speaking. This link cannot be established simply through experience. This question originates from the strong human identity of this leader towards the sufferings of human beings, as well as from his kindness which is akin to that of our Imams concerning the oppressed and mostaz'af classes. Never can the current political problems erase this timent from his heart.

When he makes speeches we seldom see him referring to a particular political problem and losing sight of the emotional aspects, either in the speeches he makes for special groups, or in those he makes for the general public. It seems that the number and extent of difficulties and economic and political problems have never been able to occupy his mind to the extent that he

forgets the beautiful aspect of the life of a human being.

He constantly talks about martyrdom and the men who meet martyrdom for the sake of ideology. Although he is a leader he wishes to be a Pasdar. He always advises the government to think of the mostaz'afeen who have no homes of their own and at the same time bear, the burden of revolution. When he was suffering pain and discomfort in the Heart Hospital, we saw that he held the same point of view. These things we never see among world leaders.

A person who gets entangled in state, political and economic affairs is subject to alienation. That is to say he neglects human relations and sentiments to a certain extent, but we do not see this peculiarity in this leader.

Q. Asked about the reasons for weaknesses and shortcomings in connection with foreign publicity, the Prime Minister replied:

A. Confusion in our propaganda system was rampant in the past. We had to endure the disadvantage of the absence of a foreign minister. It should not be thought that, now that we have a foreign minister, he will be able to make up for the shortcoming in six months or a year's time.

On the other hand, the pressure which, before Baniadr's flight, was exerted on our press and propaganda apparatus, particularly those which followed Imam's line, forced them to devote their entire attention to internal problems. In addition, as most of our experts and skilled personnel are at the fronts at the present time, so some shortcomings are observed in this regard.

When all of this is added to the reasons contained in your question, then some light will be thrown on the subject. In my opinion the foreign policy of Iran should follow a clear line, which has already been initiated. Our foreign policy is much clearer than what it was 6 or 7 months ago. At the present time, it is, in principle clear, what policy is followed by the Islamic Republic and why it has adopted hostile attitude towards certain countries. Defi-

nite firmness along these lines is observed and jumping from one position to another is diminishing. The government and the Ministry of Foreign Affairs react decisively vis a vis various events that occur in the world.

Asked about the problems of Iran-Iraq war, its future as well as its advantages and disadvantages, the Prime Minister replied:

When I think over all these problems and catastrophes and look at the revolution, I come to the conclusion that all these have been the hidden divine favors. So was this war. It has tempered our Revolutionary Guards, turning them into a force that can be a model for the whole world, particularly the mostazaf peoples.

We are now witnessing development in some sections of our economy, which was inconceivable before. The people's talents have been put into use. The self-confidence we acquired during this war can be considered as a great asset.

This war will prove fateful for our future foreign policy as well, particularly in the region. That is to say that all countries in the region have taken this fact into account that if they rallied against us, they will not be able to extricate themselves so soon. That is why we expect to encounter fewer plots when this war is over. As regards the present stage of the war, as I have repeatedly stated, the chain of attacks initiated to capture the north of Abadan, the conquest of Bostan as well as those in the West, has never stopped and will continue until the full annihilation of the aggressor. Naturally we expect these attacks to crush Saddam's regime fully to drive the enemy out of our territory, and to put our country in a very strong position in the region.

INCREASED INFLUENCE REFLECTED IN FOREIGN RELATIONS

Afghan, Lebanese Appreciation

Tehran KAYHAN INTERNATIONAL in English 8 Feb 82 p 2

[Interview with Sheikh Mir-Hoseyn Sadeqi]

[Text]

TEHRAN, Feb 7 (IRNA) — Sheikh Mir-Hossein Sadeqi, a visiting guest and member of the Nasr Liberation Organization in Afghanistan, said in an interview with IRNA, "Many Afghans in Afghanistan who have declared their allegiance to Imam Khomeini have so far been arrested and imprisoned. They believe there is an inter-relation between their movement and that of the people of Iran."

He referred to the world's big powers as "world-devouring beasts," and said ever since their hopes were dashed in Iran, they have launched fresh campaigns in order to balk the rising movement of Muslims. "But", said he "it is all too clear that all these machinations have contributed, and will contribute, to the solidarity between Muslims."

Other visiting guests, too, have invariably condemned the superpowers, Zionism, as well as Iraq for embroiling Iran in an undeclared war, commented Abdol-Amir Abbas, a member of the central committee of the Ba'athist Party of Syria (Lebanese chapter) "The war against Iran by Saddam Hussein is an American war masquerading as an Arab cause" he said in order to defeat the Islamic

Revolution in Iran after several failures the United States goaded into action its flunkey Saddam Hussein's as well as such U.S.-dependent regimes in the region as those of Saudi Arabia and Jordan."

He said Saddam and Hussein of Jordan were united in fighting against the Islamic Revolution in Iran. On King Hussein's call for forming a volunteer corps, to back up the Iraqis in the war against Iran, Abbas asked rhetorically "If he is sincere, how come he won't dispatch his troops for liberating Qods which is not so far from his territories?"

The Lebanese visitor commended Islamic Revolution in Iran as having been one against despotism and tyranny.

He said "Your revolution has proved that Islam is against tyranny, despotism, backwardness, ignorance and bigotry. The Islam which prevails in Iran is a progressive Islam and one deeply against imperialism, Zionism and colonialism."

The group of visiting foreign guests visited also the Iranian Minister of Islamic Guidance, Hojjatoleslam Ma'adikhah at his ministry in Tehran. Towards the mid-day the group stood to a mas-

prayer with the minister, and later engaged in dialogue with him.

Later in the day another group of visiting guests from Lebanon arrived at Tehran's airport. They were welcomed by a group of Iranians who have become crippled or limbless during the Islamic Revolution or later in the battle-fronts.

The sons and daughters of the Iranian martyrs also sang two revolutionary songs as the incoming guests listened.

The group of foreign guests are in Iran on the occasion of the ten day dawn celebrating the triumph of Islamic Revolution on Feb. 11th, 1979.

Meanwhile, in an exchange visit an Iranian delegation for the promotion of Islam headed by a member of the Council of Guardians of the Islamic Consultative Assembly, Ayatollah Jannati, today met and talked with the Sri Lankan Minister of Muslim Affairs in Colombo (Sri Lanka).

The delegation arrived in Sri Lanka on Friday to help establish better ties with Muslims and the world at large. Eight percent of the 14 million people of Sri Lanka are Muslim.

Libyan Support of Policy

Tehran KAYHAN INTERNATIONAL in English 7 Feb 82 p 16

[Interview with Libyan Ambassador Sa'ad Majber]

[Text]

On the occasion of the third anniversary of the Islamic Revolution, Kayhan made an exclusive interview with the Secretary of the Libyan People's Committee, Sa'ad Majber, in Tehran, to be informed of his views on the Revolution, foreign policy and the war.

The following is the text of the interview.

Q: Mr. Ambassador, on the threshold of the third anniversary of the Islamic Revolution, we want to know your analysis of the Islamic Revolution.

A: First of all, I thank you for this opportunity. I am no longer the Ambassador of Libya but I am the Secretary of the People's Committee; a system of government that is not East and West. We have completely adopted the Islamic shura for all the people of the country, the shura of the people makes up the Committee. And therefore we don't have any one person or department, they are all under the Committee.

The third anniversary of the Revolution in Iran is definitely a happy occasion for all of us. Muslims believe in the international Islamic Revolution. The struggles of our brother Muslims in Iran has been supported by my people since the beginning of the Islamic Revolution in Iran fifteen years ago. And Libya was among the very few, maybe the only country, that did not have any relations with the Shah. And that extended full and total support to our Muslim brothers in Iran who were fighting against the shah. So when the IR of Iran was successful, we did not consider this as a success for Iran or a success for us, because we identified ourselves with the Islamic struggles in Iran, but we considered this as a success for all Muslims all over the world.

Thirteen years ago, we had our revolution and we continued fighting to keep American bases away from Libya and the British bases

from Libya. We were only 3 million and we have fought against the Americans, British and the fascist regime of King Edris. Because it is thirteen years ago, we have even a better example of how all the people, and not only a few, could march against the fifth army in the world or the sixth at the time, wearing only the kaftan and shouting Allah-o-Akbar. For any materialistic person who wants to use mathematics your revolution is impossible and our revolution is impossible. And for anyone who believes in Allah and is ready to die for his belief, nothing is impossible.

And we see the people who are walking the streets of Iran wearing their kaftan and shouting Allah-o-Akbar are stronger than the tanks of the shah and the tortures of the SAVAK, and all the military personnel of America. So this will prove what we have been saying that you don't have to have all the money to fight all the outside enemies and the local dictators because they can see what Iran has done. If Iran, a Muslim country can do it, other Muslim countries can do it too. Not only the Muslim countries but all the oppressed countries. So this has been a good lesson for the world. This has been a great hope and victory for all oppressed people.

In spite of all the conspiracies and efforts to destroy this Revolution from within and without, practically all of the world governments, each in his own way has tried or done something to destroy the IR it has succeeded. That is a fact that they are doing exactly what they have done to Libya and Iran.

They can accept any revolution by any other name but not an Islamic Revolution. Because they know that Islam can solve the problems of humanity today and through Islam alone they will lose the power and influence they have on other nations. Islam alone can

cut their hands that are looting the wealth and the resources of the third world people. They are afraid of the Islamic arm that extends from Tehran to Tripoli.

And this is the reason why how worried and terrified they are by the visit of the Oil Ministry delegation from Iran to Tripoli.

If the Libyans and the Iranians get together to be fully independent in the oil industry, they feel that this is going to start something that is very dangerous because imperialism's program in fighting the IR in Libya and IR in Iran is to make sure that the oil in the Middle East remains forever in their own hands.

But they have a right to be afraid. I don't blame them because they know that we have power that is stronger than their all material power and that is the power of faith in Allah and our readiness to die because of this faith. So if this IR has been able to survive for the last 3 years and if the IR of Libya has been able to survive for the last 13 years, it is not because of any material power that we have not because we don't have any material power that can ever face America, but because of the power in believing in Allah.

Q: How do you see the future of the IR Mr. Ambassador?

A: The world has tried all systems of government and economy and social order and none of them worked. And we have ample examples in the course. Now everybody knows now that the only way for salvation is to return to real Islam.

I think that the world has realized that now and therefore there is a quite obvious and clear trend in all countries, especially in the Islamic countries of the people going back to the fundamental and original and real Islam as it is in the Qur'an, and as Mohammad (S.A.W.A.) had said and lived it himself.

If the Libyans who are only 3

million and the Iranians who were empty handed achieved victory why can't those in Egypt, do the same? And also in Jordan. And all the Muslim and oppressed countries. And this is happening. We support whoever is fighting for freedom. He doesn't have to be a Muslim, all mustazafen, all oppressed people. I think that this revolution is going to be an example. I am sure it will be victorious. I am sure all the conspiracies against it will fail, as long as we remain in the right line, united under the banner of La illa la Illahah, adhering to the true Islam, the real Islam.

And we from Libya are supporting this revolution in spite of all the difficulties we had in the past.

And on this occasion, I would like to extend a heartfelt congratulation and respect to Ayatollah Montazeri for calling for a unity week which was very successful because this is what we exactly need. If we remain united, IR remains in the line of the Imam; it remains true there is nothing we can worry about.

Q: Mr. Ambassador, on the third anniversary of the Islamic Revolution what is your analysis on the war between Iraq and Iran?

A: As you know, before the war started, we tried to stop, the escalation of the conflict because we were afraid that it might lead to war. But unfortunately it led to war, and this only serves the interests of America, of the Zionist. We think the war should be against Israel, the Zionist enemy and not against Muslim Iran. If the war was against the Shah we could have understood it and probably we would have supported it. But to be a friend of the shah and the enemy of Imam Khomeini is something that cannot be accepted by any Muslim. Therefore, we supported Iran in this war and we are very sorry for the people who died on both sides of the war, for the destruction that took place on both sides, and just as we support

our brothers in Iran we support our brothers in Iraq too, because this war was imposed on the people against their will. We feel that the soldiers of Iran and Iraq should be mobilized against the Zionist enemies in the occupied lands. Today as everybody can see the regime of Saddam is losing the war and not gaining from it.

All the guns of the people of Iraq and Iran should be directed against the Zionist enemy who has not only taken Palestine but now officially declares that it wants all the lands between the Nile and Euphrates and this is something that we have always said and Imam Khomeini had said for years. The Zionist enemy is not satisfied with the land that it has occupied but they want all the area in the Middle East to control and to make the Muslims in the area slaves for them. Inshallah with the unity of the Muslims, irrespective of government — we are not talking about governments, but the unity of the Muslims, Inshallah, we can destroy the Zionist enemies and free all the Muslim lands that have been occupied.

Q: What is your conception of the line of Imam as it is mentioned in the political atmosphere of Iran?

A: The line of Imam means going back, to the true Islam, going back to the Qur'an, going back to the life of Prophet Muhammad and every body who really follows his high and noble example that Islam without fighting Muslim with another, we cannot live in created, fight the criminal actions of Moawiya Yazid, not forever the line of Imam for me means rewriting the Islamic history to prove that Islam has orders for every aspect of life. Prayers, work, politics, economy, culture, society life and death. The line of Imam means what La Illa Ha Ilalah means, that no one should bow to anybody except Allah, or anything else, not to money, not to desires, not to power to influence but to only Allah.

Tehran KAYHAN INTERNATIONAL in English 7 Feb 82 p 16

[Interview with Syrian Ambassador Ibrahim Younis]

[Text] TEHRAN (Kayhan International) — The fact is that no government or nation is as familiar with the characteristics, shortages, delicate points and vicissitudes of the Islamic Revolution as our government and nation. They have embarked on this revolution in God's name and with their whole soul, and have shouldered the attendant hardships and toil themselves. Hence no nation can appreciate the value of the revolution as much as the Iranian nation does. In this connection the role of Muslims who are enamored by God and His path is highly significant not only have they understood the value of the revolution but they inwardly and practically share its sorrow and pleasure as well.

The following is an interview held with the ambassador of Syria by Kayhan International, on the occasion of the occasion of the third anniversary of the Islamic Revolution. We express our sincere gratitude to him.

Q: What is your assessment of Islamic Revolution?

A: The revolution of Iran is a popular one in its political, social and economic dimensions. It has shown hostility to, and fought against, imperialism and Zionism since the very beginning. The Islamic Revolution of Iran aims to achieve real independence.

In my opinion, independence means the state in which one can decide and act freely. Independence allows the energy and latent talents of the masses to manifest themselves. This will, undoubtedly, be used for the building up of civilization and affecting progress.

I think the Islamic Revolution of Iran has passed through two stages so far. Firstly assumption of power, and establishment of revolutionary institutions to serve the people, such as the Assembly of Experts, Islamic Consultative Assembly, as well as revolution-

nary institutions, e.g. Revolutionary Guards, Construction Jihad, Martyr Foundation and the Mostazafeen Foundation. These are all innovations of the Islamic Revolution.

Secondly, there is the consolidation of the basis of the revolution and its penetration into the general public. This has been carried out by purging the deviationary line from the face of the Islamic Revolution and transmitting its message to the society.

This revolution is designed to serve the general public and is implemented under a wise leadership that takes account of its various dimensions. God sent him to serve the world Muslims, and he is the embodiment of the Islamic Revolution and struggle. Imam Khomeini is the leader of the revolution and a Mujtahed. His ijtehad (systematic personnel reasoning) is the enemy No. 1 of imperialism and colonialism.

Syrian foreign policy, directed by H.E. Hafez Assad, has supported the Islamic Revolution of Iran in all international organizations and assemblies.

Q: How do you see the future of our revolution?

A: In order to consolidate and perpetuate itself, the revolution needs some pioneers to advance it and surmount obstacles. Fortunately, there are plenty of Islamic, progressive and liberating pioneers in Iran. It is they who use scientific methods to change the society on the basis of Islamic principles. I hope this society will end in a classless one, which is the only way for building up human civilization. This method can be useful and effective for building and evolving of the human society.

In our view the slogan "Neither East, nor West", which is peculiar to Iran contains the essence of independence. No country can claim to be independent, unless it

reaches the stage of economic independence.

The origin of the Islamic Revolution of Iran is Islam, which itself means revolution in the cultural context of the society and victory over general illiteracy. It is hoped that, through reliance on God, the revolution will continue, because its perpetuation is in the interests of people.

Q: How do you assess the anti-imperialism stance of our revolution?

A: We have certain rightful and equitable formulas with which to measure the proximity, or otherwise, of states. Our criteria for the anti-imperialistic and anti-Zionist positions of a government is its attitude to these problems.

The Islamic revolution of Iran has the ideals of the Arab nations at heart. Imam Khomeini has called on people to cooperate actively with the Arabs against the usurper Israel.

In our view Iran has neither expansionist designs nor does it seek to interfere in the internal affairs of other countries. It is Saddam that is lying and launching an intensive propaganda that Iran has expansionist policies.

On the contrary, Iran has a genuine desire to support Arabs. Both in words and in deeds, Iran has demonstrated its honesty during these past three years.

Q: What has been your position towards the Islamic Revolution of Iran since the beginning till now?

A: First, there is the common history of the Arabs and Iran. Second, their common objectives and interests. As regards the first point, Iran has played a significant role in the promotion of Islamic civilization. For example, Sibeveyh, an Iranian, made a great effort for evolving the Arabic language. Abu Hanifa, again an Iranian, has played an important role concerning ijtehad and the establishment of the

Hanafi school, which is one of the four important Sunni schools. We cannot study the history of Islam without investigating the history of Iran.

As regards the second point, both Iran and my nation are the enemies of Israel, which has usurped Arab lands, including the very territory on which it is established. On the basis of cooperation between our peoples and under the banner of Islam, these kinds of cooperation will continue inshallah.

Q: What problems do you think will be created in the region and the world as the result of the full victory or defeat of the Islamic Revolution?

A: Undoubtedly, the Islamic Revolution of Iran can be considered among the liberation movements of the world. That is why its victory means the victory of these movements. The defeat, retreat or deviation of the Islamic Revolution would not be in the interests of liberation movements. We are convinced that history moves forward not backward.

Q: Why are some sheikhs and emirs of the Persian Gulf region as well as other Arab reactionary regimes frightened of the Islamic Revolution?

A: In my view, there is no essential difference between the Islamic Revolution of Iran and the countries in the region. Rather, the difference is over certain political positions. Revolutionary Iran wants the military bases of the imperialists to be dismantled and the U.S. imperialistic influence in the region to be eliminated. If the American influence in the region is removed, the differences will vanish too.

Always and everywhere, the statesman of revolutionary Iran have emphasized the point that they will not interfere in the internal affairs of other countries. We, too, hope that other countries will not interfere in the internal affairs of Iran. We are real friends of

Iran, and deal with the revolution as well as its decisive and historical leadership, rather than with individuals.

Q: The Western media has embarked on a new maneuver on the threshold of the anniversary of the Islamic Revolution. By means of publishing the news about our victories in the war (which they had refused to do until then), the media aims to intimidate the countries of the Persian Gulf into forming a union against Islamic Iran.

What is your opinion in this regard?

A: We do not attach any importance to the propaganda maneuvers of imperialism. We are sure of the just ideals and policies of the Islamic Revolution of Iran, and consider the Iraqi war against Iran to be in the margin of contemporary history not in its text. Hence we hope that the strategic links between the Iranian and Arab peoples will be established and cemented.

In the end Mr. Ibrahim Younus, sent the following message on the occasion of the anniversary of the Islamic Revolution.

As a representative of the Arab Republic of Syria and its combatant leader, Hafez Assad, I send greetings to the Muslim and brother people of Iran on the occasion of the third anniversary of the victory of the revolution in Iran. We hope that victory and progress will be achieved in all aspects of the lives of the Iranian people.

On behalf of all Arab freedom seekers, we stretch the hand of friendship and cooperation to Iran, and hope that, in the course of our common struggle against

our enemies, a profound unity and cordiality will be maintained and perpetuated between the two nations of Iran and Syria.

DIFFICULTIES ENCOUNTERED WITH REPAYMENT OF LOANS

Tehran KAYHAN INTERNATIONAL in English 8 Feb 82 p 2

[Interview with Minister of Economics, Finance Hoseyn Namazi]

[Text]

TEHRAN, Feb. 7 (IRNA) —

The government of the Islamic Republic of Iran intends in the long run to cover its expenses through tax revenues and will no longer count mainly on oil revenues, said the Minister of Economics and Finance, Dr. Hussein Namazi to IRNA yesterday. Thus it was now necessary to activate production, create full employment and revitalize the economy, he said.

Speaking about the repayment of loans granted to other countries, Namazi said that these loans had mostly been granted following the oil price hike in 1974. Classifying these loans he said that a minor portion was made up of non-returnable loans. The second category he said, were those granted to developing or undeveloped countries were meant for helping these countries improve their economic system but paid out of the pockets of the oppressed Iranians with the intention of gaining political domination and prestige.

He said that the loans granted to western and eastern industrial countries mostly were bribes and blackmail to imperialist countries and their agents. Examples of such loans were 3 billion dollars granted to France, the 800 million dollars to Britain, the 200 million dollars to Poland and 160 million dollars to Bulgaria. Some 3.3 billion dollars of these loans had not yet been repaid, he said, most of it owed by France which had con-

tracts with the Atomic Energy Organization of Iran. The French government he said was indirectly preventing reimbursement of the full sum.

He continued that one of the reasons for the unwillingness of these countries including France to pay back these loans was the strong anti-imperialist policy of the Islamic Republic of Iran. He stressed that the government and the related organizations would continue their efforts in collecting the money granted to those countries.

As for the loans granted to Sudan, Turkey, and Poland he said that some difficulties had been experienced. In the case of Pakistan, due to friendly neighborly relations, the Islamic Republic of Iran had agreed to easier terms with Pakistan. In the case of loans granted to the International Monetary Fund, the World Bank, Afghanistan, India, Egypt and Indonesia and several other small loans to other countries, he said that there had been no major problem.

The Minister continued that the government of Egypt which had been refusing to fulfill its obligations, recently paid back some 51 million dollars of its debts. Overall, Namazi added that these countries had not paid their debts on time due to their economic problems rather than any political motives, because, he continued, those countries which due to political reasons were shirking their responsibilities towards the Islamic

Republic of Iran were (are) doing so in a cautious manner.

Speaking about the future of Iranian investments abroad, the Minister of Economics said that overall 17 investments totalling 900 million dollars have been made most of which were the shares in projects involving uranium enrichment and production to be used in the nuclear power stations. These investments were not in line with the interests of the country and were hazardous ecologically, he stated. These investments he said were made in France, South Africa, West Germany and several Asian and African countries and the Islamic Republic of Iran has now taken steps in severing these ties of dependence.

However, Namazi added that the interests of Iran required rational and well calculated measures so as not to suffer any financial loss through cancellation of these projects. He continued that besides these, there were investments with Krupp, Deutsche Babcock in the area of production of steel and machinery some of which had been beneficial. He explained that the intention was either to keep them at a level that ensured the general interest of Iran or to sell them.

In another part of his interview the Minister of Economics said basically the investments in countries which Iran had no political relations with could not be beneficial, such as was the case with Egypt.

As for the Development Bank of Iran and Egypt, Namazi said Iran had hired a lawyer to protect the position of Iran. As for the joint textile mill of Iran and Egypt, Mirax, the necessary measures would be taken, he said.

However, he stressed, investments in Islamic countries which had not adopted a hostile policy towards Iran were approved of and efforts would be made to make relations between Muslim

countries stronger. He further added that negotiations were underway with the Turkish government to arrange for the debts due to Iran to be paid in the form of goods.

When asked about the possibility of investment for refineries outside Iran, he said that it was not in the interests of Iran and such investments must be made inside the country since Iran had the experience and had the necessary skilled and expert manpower.

Referring to the sale of oil, Namazi said that the policy of the government was to adhere to an oil policy which did not squander this natural resource and protected the national interest. "Of course the policy of imperialist countries is to create obstacles in the way of the sale of Iranian oil so as to exert economic pressure on our country", he said.

Prior to the victory of the Islamic Revolution of Iran 5-6 million barrels of oil were sold daily and after the revolution due to the refusal of Iran to sell oil to certain countries, oil exports reached one tenth of the above mentioned amount he said. But due to the needs of the world market, it was not difficult for Iran to sell between 1-1.5 million barrels per day, he added.

Speaking about the foreign exchange reserves of the country, the Minister of Economics said that thanks to the adopting of certain policies further decreases in exchange reserves had been prevented and opening of credits requiring foreign exchange was in harmony with earning foreign exchange revenues, he said.

In conclusion concerning the export of natural gas to the Soviet Union, the Minister of Economics said that the U.S.S.R. had expressed its desire for it and negotiations were underway. He said if the conditions of purchase were changed to Iran's desired terms, that is, a fair price, Iran was ready to export gas to the Soviet Union.

PUBLICATION EXAMINES LATEST WAR DEVELOPMENTS

Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 pp 1, 2

[Text]

A NEW DIMENSION TO THE GULF WAR

King Hussein of Jordan's announcement last week that he is setting up a special "Yarmuk Force" of volunteers to fight alongside the Iraqis in the Gulf war against Iran has added a new dimension to what had become in some respects a forgotten conflict. The force recalls the 7th century victory by the Arabs which opened up Persia to Islam and King Hussein stated that he would be among those who volunteered to fight and that he hoped to spend as much time as possible at the battle front. Jordan, of course, has from the outset of the war been an active support of Iraq, providing Baghdad with port facilities on the Red Sea at Aqaba and other services. Now, however, it is clear that Jordan is entering the war on the Iraqi side.

The onset of the rainy season in the Gulf means that military activity on the ground is likely to be at a low ebb for some time, but the political significance of King Hussein's move could be more immediate. Ever since the ill-fated Arab Summit at Fez last November, the Arab countries of the Gulf have been facing the choice of either siding openly with Iraq or risking tense relations in future with Baghdad. The Iraqis wanted \$16 billion from the other Gulf states to finance the war and an outright refusal of this request was unlikely in any event. But complex inter-Arab relationships were also in play.

At that time, Iraq seemed to have achieved a broad degree of acceptance for its cause, in particular because Syria was not in agreement with other participants at the Fez Summit and seemed prepared to forsake its chances of obtaining aid from the rich Arab oil producing countries. In essence, conditions seemed to favour a shift away from Syria and towards Iraq. But then Syria was able to mend its fences and to rally the Arabs behind Damascus, especially after Israel's virtual annexation of the Golan Heights. The chasm between Syria and

Iraq was momentarily bridged and one consequence was that additional quantities of Iraqi oil which had been denied an outlet to the Mediterranean began flowing through the old IPC pipeline across Syria to the Lebanese port of Tripoli.

In the meantime, consolidation of Arab support for Syria to face Israel required a similar consolidation of support for the Arabs in the Gulf to face Iran. The moderate states in the Gulf insisted on such a stance as a guarantee for their future in the light of the mounting intensity of the verbal threats being made by Iran's leaders and the continuous escalation of religious radicalism there. What made this delicate balance precarious, however, has been the Syrian regime's sympathy for the revolutionary government in Iran and Iraq's insistence that it cannot accept the mediation of an Arab state to end the war. Iraq's position is that all Arab countries should be on its side in this conflict.

In recent weeks, Saudi Arabia has shown that it is on Iraq's side insofar as the war with Iran is concerned and on Syria's side when it comes to financing purchases of weapons to stand against the challenge from Israel. Jordan's move thus seems to be intended to underline the need for effective Arab participation in the war against Iran. It will create tensions and pressures in the Gulf countries because it drives home the point that they should take an active part in the war and not just provide financial backing. Moreover, King Hussein is highly respected in the Gulf states and he announced the formation of the volunteer force after a trip to the Gulf during which Bahrain was the only country he visited.

Bahrain has always been within the radius of Iranian ambitions and a plot was uncovered there recently to try to overthrow the island state's traditional rule by saboteurs trained in Iran. In essence, therefore, what King Hussein is telling the Gulf states is that the threat from

Iran has attained proportions which constitute a danger for them all and that massive retaliation is now the only course of action.

If the moderate Gulf states should enter the war there is every reason to expect that the level of danger in the Gulf region will be higher than it has been at any time since Ayatollah Khomeini came to power in Iran and declared his resolution to be a pan-Islamic movement to be exported throughout the Gulf. A volcano is making rumbling noises.

We doubt, however, that it will erupt and that the Arab Gulf states will go to war. The reason is that regardless of the vehemence of statements emanating from the Gulf, the Arab rulers there recognise that they do not have the manpower for military action. In addition, their people are unprepared psychologically for war. As a result, no matter how pressing Jordan's call to arms may seem, we doubt very seriously that Arab states in the Gulf will follow King Hussein's lead. At their meeting in Riyadh last week, defence ministers of the countries belonging to the Gulf Cooperation Council – Saudi Arabia, Kuwait, Bahrain, the UAE, Qatar and Oman – made it clear that their discussions were concerned with the security of their states against internal threats and attacks from outside rather than the waging of war. The latter is a profession for which citizens of the Gulf states seem ill-prepared.

Marwan Iskandar

MIDDLE EAST

THE STRUGGLE INSIDE THE PLO

Persistent reports of disputes within the Palestinian leadership since the collapse of the Arab summit at Fez last November have been denied repeatedly and petulantly by the PLO. This newsletter predicted at the time that a bitter and dangerous struggle over Saudi Arabian Crown Prince Fahd's eight-point peace plan was the most likely consequence for the Palestinians of the divisions inside the Arab world which were highlighted by the Fez conference. Well-placed sources inside the PLO have since admitted in private that all has been far from well. But developments in the past week indicate that what had occurred up until then was no more than political skirmishing. The real battle over the future course of the PLO may only now be commencing.

A call by Bethlehem's Mayor Elias Freij to the PLO to recognise Israel's existence and to the Israelis to negotiate directly with the PLO was clearly one of the opening shots. It prompted Palestinian hard-liners to portray him as an Israeli stooge and the only other Arab mayor in the occupied territories to back Mr Freij's statement was Rashad Shawa of Gaza, who commented that the PLO was only a part of the Palestinians (he later empha-

sised however that the Palestinians had chosen the PLO as its representative body). But the reasons expounded by the Mayor of Bethlehem for taking his stand were certainly not pro-Israeli.

Time, Mr Freij insisted, was working for the Israelis and each passing day saw a tightening of Israel's grip on the occupied territories through new Jewish settlements and a "thickening" of existing settlements. "In 10 years, there will be nothing left for the Palestinians and there will be nothing left for the Palestinians to talk about," he declared. And because he saw no possibility of a military solution to the Arab-Israeli conflict, all that remained was the option of political dialogue. The PLO should therefore throw down a challenge to the Israelis and their American allies to make peace rather than incite them to make war.

Mr Freij is an experienced Arab leader with first-hand knowledge of what the Israelis are doing on the occupied West Bank, notably through restricting the access by Arabs to water. A recent British television documentary film which showed Israeli settlers splashing in their swimming pool while the well of a neighbouring Arab was dry, drove home the point that 20,000 Jewish settlers now pump as much or perhaps more water from the West Bank than do the territory's 800,000 Arab inhabitants. Israeli authorities deny this claim but it was based on a projection of figures for water use which were available until Israeli declared such statistics were a state secret a couple of years ago. Indeed, the plight of the Arabs could become extreme in coming months because the winter rains needed to replenish underground reservoirs have fallen far below average so far this season. Lack of rain in the region has also heightened fears of an Israeli invasion of southern Lebanon to grab the waters of the Litani River, using as a pretext the presence of Palestinian guerrillas near the border.

It is nonetheless unlikely that Mr Freij would have put his career and even his life in hazard solely for reasons of village pump politics. There are clearly wider implications for the Arabs as a whole, as was shown in interview given a few days before Bethlehem's Mayor spoke out by Issam Sartawi, a member of the PLO's inner circle, and Prince Saud al-Faisal, the Saudi Arabian Foreign Minister. Dr Sartawi, an adviser to PLO Chairman Yasser Arafat on international questions, told Eric Rouleau of the Paris daily *Le Monde* of secret talks he had held with Israeli political groups who advocate a negotiated peace settlement with the Palestinians. One series of talks in 1976 had taken place at the PLO's request and other conversations had been held with the approval of the Palestine National Council (parliament-in-exile) of which he is a member.

Dr Sartawi said he had been instructed later to cease meeting the Israelis. He had obeyed, though he regretted doing so. His talks with leaders of the Israeli peace movement should have been "admitted in public, justified and

defended both inside the Arab world and before Israeli public opinion," he said. "We should have invited our Israeli interlocutors to Beirut for an exchange of views with Yasser Arafat," Dr Sartawi added. "Better still, we should have asked them to address the Palestine National Council session which was held in Damascus last April, two months before the elections in Israel. The PLO would have thus shown in a concrete fashion its will to attain a just peace which was acceptable to both parties while at the same time giving credibility to Israeli pacifists in the eyes of their fellow countrymen."

Arab strategy blamed

Dr Sartawi blamed the Arabs, and the Palestinians in particular, for adopting a strategic approach to the conflict with Israel which aided Israeli Prime Minister Menachem Begin and other Israeli hawks. "Mr Begin seeks to annihilate the Palestinian people and seize from them once and for all their homeland (*patrie*)," Dr Sartawi told *Le Monde*, "but that is not a reason for giving him the pretexts and the means to achieve these objectives."

Contrary to appearances, he argued, Israel's peace parties and individual peaceniks "have a relatively broad potential electorate." Their failure to win seats in the Israeli Knesset, he believed, was due to their lack of credibility in Israeli eyes, for which the Palestinians were largely at fault. "We did not know how to contribute towards success for the Israeli democrats and progressives," Dr Sartawi contended. The Shelli Party, which lost its two Knesset seats in the elections, might have otherwise won four or five seats, he believed. Given the divisions

CSO: 4400/126

PORT FACILITIES EXPANDING

Jiddah SAUDI BUSINESS in English No 40, 29 Jan 82 p 18

[Text]

With its port facilities stretched to capacity, Kuwait has launched a massive \$200 million project to cure its growing pains. Dr. M. Sulaiman, chief of the planning and research department of the Ports Authority in Kuwait, said, "This year we have handled about 110,000 vessels, which is a total throughput of 220,000 containers."

The total tonnage for January through November, 1981, was 6.5 million tons, already exceeding the Kuwait Ports Authority's target of six million tons a year. The head of Kuwait's Ports Authority, Dr. Ibrahim Makki, explained that they were handling an unprecedented tonnage to cope with the congestion of cargo ships waiting to offload Kuwaiti imports and transit goods.

And this is where planning chief Dr. Sulaiman steps in. He is the man behind the extension of Shuwaikh Port, the \$200 million reclamation project that will make Shuwaikh the most modern port in the Gulf. The program will boost the port's cargo handling capacity from just over five million tons annually to nine million tons by the end of 1986.

Kuwait has three ports, but Shuwaikh is the state's key facility. The ports of Ahmadi and Shuaiba are used mainly to export crude oil and other refinery products, handling the import of capital goods for industrial installations. Shuwaikh, five kilometers to the north of the capital, has storage space covering 200,000 square meters, with additional open areas of 247,000 sq. meters.

At present Shuwaikh has all the modern handling facilities, 18 deep-water

berths and three shallow berths — but all this is still not enough. It has to be enlarged to handle the booming container traffic — the shipping revolution that has swept the world and the pinch is being felt particularly in the Gulf, where existing terminals are not fully geared up to handle the massive increase in volume of cargo that containerization means.

During the first eleven months of 1981, 99,615 containers used Shuwaikh Port compared to 33,549 in 1978, an increase of 300 per cent. "We were aware of the container trend then," said Dr. Sulaiman. Officials called in consultants and a master plan was drawn up to equip the port for the end of the century.

Dr. Sulaiman went on to say, "That while the number of vessels has been falling, the volume of cargo has been increasing due to containerization." Port authorities were faced with the problem that Shuwaikh Port had nowhere to grow. During the past 18 months one million sq. meters was reclaimed from the sea to the west and the east of the port, adding a cargo terminal for bulk cargo and containers, a new vehicle terminal, customs offices and a car park. Work already has started on additional reclamation of 120,000 sq. meters. So far the two phases have cost \$37 million.

But the major \$200 million allocated for the port's expansion will be for the northeast development of the port. This will be to build nine berths, three of them for container ships, five for bulk cargo and one for ro-ro vessels.

This will in effect give Shuwaikh Port a capacity more than half its present size by the end of 1986, and should enable

Shuwaikh to handle double its present cargo capacity bringing it up to nine million tons. The situation for Kuwait's Ports has shown that unlike some other Gulf ports there has been a steady throughout over the years. During the boom years of the early seventies, when harbors in the Gulf were flooded with cargo ships carrying construction goods, Kuwait's ports experienced the worst of the congestion. Only 4.5 million tons of cargo were off-loaded in 1977, the peak year of the boom and ships were backed up, often waiting for months to discharge their cargoes.

One of the Gulf's foremost shipping agencies general manager remembers shippers ordering 20 to 30 per cent over and above what they wanted in order to compensate for damages, losses and delays. Most Gulf ports suffered a significant downturn in business after many shippers got their fingers burned during this time, however Kuwait has maintained a continued growth.

General Manager Said Arouri, of one of Kuwait's leading shipping agencies, put this down to the foresight of the state's planning and research department in immediate government expenditure in developing the ports.

In addition to its own ambitious development programs, Kuwait is handling much of the traffic diverted from Iraq due to the Iraq-Iran conflict. Large quantities of grain are the bulk of the cargo being handled by Kuwait's ports and are being moved by road to Iraq. According to sources, about 20,000 tons of grain can be cleared in four or five days by the hundreds of trucks sent down by the Iraqi government.

Transshipment is and always has been

an important source of revenue for Kuwait's ports. An agreement to issue an international tender was made in July, 1981, to link Iraq's existing rail system with railroads to be built from Kuwait's ports, across Kuwait and through Saudi Arabia to the UAE. The officials from Kuwait and Iraq met to finalize the project, which a Kuwaiti source said would be a double-tracked railway allowing passenger trains to reach 160 kmh and capable of handling five million tons of freight in its initial stages, doubling this capacity later.

The agreement between the two Gulf countries, implements the GCC agreements for economic cooperation on transit, trade, communications and transport. And the Kuwaiti spokesman said that Iraq and Kuwait had agreed to bear the cost of the railway's construction inside their respective territories, with each to build its own frontier terminal station.

So it is not just the waterfronts of Gulf ports, but the whole back up infrastructure that needs to be completed to ensure the congestion nightmare of the 'Boom Years' is not repeated.

The planning and research department chief for Kuwait's ports has called for a 36-ton capacity gantry crane to be installed at berths 12 and 13 in Shuwaikh Port.

In planning for the future, Kuwait's Ports Authority has to assess not only the actual bulk of the containers, but what percentage of breakbulk cargo will remain and whether the much spoken of advantage in roll-on, roll-off vessels' capability for handling palletized cargo will see another change in the shape of the ports in the future.

BRIEFS

INSURANCE DEAL WITH PAKISTAN--The jointly-owned Pakistan-Kuwait Investment Company has decided to set up an insurance company to operate in Pakistan with a capital of about PR 10 million (\$1 million), the Qatar news agency reported from Islamabad last week. The Pakistani government has given its approval to the project. The Pakistan-Libya Holding Co is also expected to participate in the new venture, the news agency said. The Pakistani and Kuwaiti governments hold equal shares in the Pakistan-Kuwait Investment Co. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 12]

CSO: 4400/126

SPEAKER OF PARLIAMENT INTERVIEWED ON DOMESTIC POLITICS

London AL-HAWADITH in Arabic No 1308, 27 Nov 81 pp 19-21

[Interview with Speaker of the Chamber of Deputies, Kamal al-As'ad, by Sharbal Zughayb: "Recovery of the South Will Block the Conspiracy!" date and place not specified]

[Text] By coincidence, I was sitting with one of the leading politicians from the western district, who had strongly supported the speaker of the Chamber of Deputies, Kamal al-As'ad in the recent parliamentary elections, and thereby had taken a public position against the government. When he learned that I had just come from the speaker, he said to me: "What is his position regarding the government?" I told him that "evidently there is a truce these days."

He immediately leaped from his chair and shouted: "What, Kamal Bey is a hypocrite? It was only yesterday that he made a speech attacking the government. We voted for him on that basis!"

Some political sources say that President Ilyas Sarkis, after the recent parliamentary elections, sent Minister Fu'ad Butrus to meet with Kamal al-As'ad to ascertain his ideas and to coordinate positions between the staffs of the Lebanese regime. In fact, this was done. Apparently there was a "bazaar" and a mutual understanding was reached. The surface and public matter was the regime's endorsement of Kamal al-As'ad's proposal pertaining to the South, and the formula that the regime must follow in explaining this issue at the next Arab summit conference. Accordingly, the Lebanese working paper to this summit only includes the issue of the South. A little while later, al-As'ad's opposition to the government became somewhat lessened. However, he insisted that the member of his parliamentary bloc, Minister Anwar al-Sabbah, not retract his resignation. He has concluded a truce with the government until after the Fez summit, in order to determine his final position regarding it, as to whether he will "march along" with it toward the final goal, along with all the "bills" that will come due as a result of this goal's attainment, or whether to pull the rug out from under the government, as well as from some others.

AL-HAWADITH put to Kamal al-As'ad the questions of hypocrisy, truce, political alliances, the South, the Lebanese working paper, the presidential elections, and the fate of Raymond Iddih in reaching Ba'bada Palace.

He replied to all the questions as follows:

[Question] You have made a truce with the regime until after the Fez conference, in order to learn its position regarding this summit, and how it will present the issue of the South. What is the formula that you want?

Regarding the truce, there is no doubt that when you hope to reach a position regarding a constitutional authority, or any authority, it is best to give it all its powers, so that you can take a strong stand. This is not only our view as a parliamentary front or as a party, but rather, most of the political fronts have the same goal.

As for the formula, we drew up a memorandum after consultations with those concerned. In all our conversations with the Lebanese government, we always have gone to the heart of the matter. This is to give the South priority, in terms of a comprehensive general discussion of the Middle East crisis. A conviction must be generated that the solution to the crisis in the South, and effectively applying the Security Council resolutions, should be the main course of action, but we don't say the only one, to solve the Lebanese crisis as a whole, especially after the difficulty in finding a comprehensive solution to the Lebanese question, which has embroiled us in the labyrinths of national accord, security accords, an acceptable formula, and what have you.

The formula needed today is for Lebanon to turn the matter over to the Arabs, since they are directly concerned. The conspiracy emanating from the South is aimed at all Arabs. The Arabs should adopt positions that are not only public, but also that employ plans that will lead to forcing Israel to adhere to the Security Council resolutions and to the extension of effective Lebanese sovereignty over the South. That means to return the South to the Lebanese nation. Israel must also be forced to withdraw from the border strip, which has become occupied territory in every sense of the term.

This is the formula. As to how it can be achieved, that is up to the Arabs to determine. We consider the Arabs to be capable of finding this formula, if not by military confrontation, which must be the last resort, since it is inconceivable to watch your enemy enjoying the fruits of a conspiracy that he is weaving and applying right on your own land, then at least by political and economic confrontation. This means through the operative states that support Israel and through assisting the Security Council to implement the resolutions and to enjoy the authority and means to guarantee that these resolutions are carried out, by convincing the operative states that want these resolutions to be symbolic and mere ink on paper. The Arabs must abandon this futility, because it is the basis of Arab rights being swallowed up and Lebanese territory lost. All of this stems from the plot against all Arabs.

[Question] Regarding the memorandum that you prepared, what are its broad outlines?

[Answer] This memorandum includes the desired formula and a concept of reality and consequently, the obligation required of the Arabs with respect to thwarting the conspiracy.

[Question] Regarding that reality located on Lebanese territory, and the implementation of the Security Council resolutions, this would require abolishing a specific role of specific parties, and especially the Palestinian role. Do you approve of this?

[Answer] I don't believe that we should get into a problem of semantics, because the issue is all one, i.e., to stand against the Israeli machinations if we believe, after all that has happened, or if we did believe in the past, that they are aimed equally at the Palestinian and the Lebanese, aimed at the expulsion of the residents of the South, at occupying the South and consequently, resettling the Palestinians outside of his land and the South as well. Accordingly, there is no, and it would be inconceivable to find, incompatibility between the interests of both the Palestinians and the Lebanese. On the contrary, there must be unity, if not from a pan-Arab premise, which we have perceived, then at least from the premise that the enemy should unite the Arabs led by the Palestinians, to attack him. When we foil the conspiracy by sending Israel back to Israel, preventing it from resettling the Palestinians and the South is returned to the Lebanese nation, then this will be a victory for the Palestinian before it is a victory for the Lebanese. It will be a victory for both, as well as ultimately an Arab victory.

This should not interfere with the Cairo agreement, since there is no requirement to modify it in order to implement the Security Council resolutions. However, on the supposition, and it is a debatable supposition, that in order to implement the Security Council resolutions the Cairo agreement must be modified, then we have always said that agreements are not an end but rather a means for the Palestinian and Lebanese struggle against Israel. Preventing Israel from occupying Lebanon is a Palestinian job. If the matter requires modification, then this must not come from us or the Palestinians, but rather, it is up to the active powers in the Security Council to effectively present an applicable formula which could stop the Israeli conspiracy and cause it to miss its opportunity. I don't think that there is any difficulty that might arise between the single faction, which is called the Lebanese and Palestinian faction.

[Question] You insist that the Lebanese working paper for the Fez conference deal only with the question of the South. President Camille Sha'mun, on behalf of the Front, demands that the entire Lebanese issue be put before the summit conference, that is to resort to internationalization. What is your position?

[Answer] We have no objection to the entire case being submitted. When we asked that the issue of the South be presented at Fez, no one said anything about submitting the entire Lebanese crisis. Later I heard that the Lebanese Front was demanding that the entire Lebanese crisis be submitted. However, we did not object. The press and people were bruiting about at times that there was something wrong in the situation, since it was interpreted that there was a clash in the Lebanese position regarding the Lebanese crisis, and that as a result of this clash, the conference would not discuss anything at all, neither the entire Lebanese crisis nor the crisis of the South.

We have demanded that the issue of the South be separated from the Middle East crisis, considering the fact that it would be good for the Arabs to agree on a unified position regarding the Middle East crisis. However, this does not excuse the Arabs from making plans to confront the challenge in the South, since time is limited, and the other's implementation can be put off. This challenge cannot be put off.

As for the Lebanese crisis, we believe that as soon as the Arabs agree to confront the Israeli challenge in the South, this will mean the main, fundamental input into solving the Lebanese crisis. We all know that the Lebanese crisis is largely contrived. The reality existing in the South today is behind the fabrication of this crisis. The return of the South to Lebanon would block the entire conspiracy against Lebanon.

We would not oppose the entire Lebanese case being submitted to the Fez conference, provided that the resolutions of all the previous summits, from Riyadh to Cairo to Tunis to Bayt al-Din be submitted, including all of the security plans. However, this is debatable, because the Lebanese government itself does not want the entire matter submitted, since it has entrusted this to the Arab Follow-up Committee, and bear in mind that that committee is preoccupied with opening roads. What we fear is that this submission, out of good intentions, or bad intentions by some, will result in a pretext on the basis that it is a crippling case, and that a solution to the Lebanese crisis would be very difficult to achieve. Thus we would have given the Arabs a way out of confronting the crisis, if we insist upon submitting the Lebanese crisis in its entirety.

[Question] Speaking of the Arab Follow-up Committee, the president said that this committee would continue its meetings until next spring, the date of the end of the Camp David agreements and the election of a new president. In this interval, do you expect the occurrence of military outbreaks or will the situation remain as it is?

[Answer] We naturally hope that matters will not go from bad to worse. However, we do not have the element of time. From now until the election of a new president, are we capable of holding back the hands of the clock in order to stop it? Of course, we are not. So long as we are not capable, we cannot stop the enemy from carrying out his plans and implementing the goals of these plans. Therefore, every single minute is valuable in regard to the necessity of confronting this challenge.

Why do we tie the Lebanese action to the Follow-up Committee? It was basically formed to help the government get on its feet and to implement the Arab resolutions. The regime must insist on the implementation of these resolutions, although it takes positions regarding any quarter that does not want these resolutions implemented, whether they be Arab or Lebanese, outside of the Follow-up Committee. It came to help the president implement the resolutions. It is inconceivable to postpone resisting the conspiracy, whether through the Follow-up Committee or by any other practical initiative.

[Question] Is the present government capable of carrying out such a task?

[Answer] Of course it is capable! It could be difficult on the human and psychological level, if you'll permit the expression, but it has all the required capabilities and powers.

[Question] You have specific positions regarding the government. This has led to you pulling Minister Anwar al-Sabbah out of the cabinet. We note that you were behind its gaining confidence in the beginning, along with all the convulsions the Independent Bloc was subjected to during that period. A coolness was apparent between you and the government during the recent speaker of the chamber elections. How long will you maintain a truce with this government, and what precisely do you want from it?

[Answer] You pose a question about things that happened in the past, and then pursue them. I would like to say that we did give the government confidence, but this is not what led to the upheavals inside the Independent Bloc. This bloc was unable to reach a unified position, unfortunately. We persisted, out of principle, because we were unable to impose any mandate on the deputies. If the Independent Bloc took a unified negative position regarding the government, it would require withdrawal of confidence, and we would have withdrawn it. We withdrew the minister. As for a positive position, everyone would have been given confidence.

However, the split occurred, even on the vote for the principle of majority and minority. This led to giving freedom to the deputies who were members of the bloc. Within this freedom we acted and supported the government. Naturally we had justifications to explain today.

As for the reasons that led to withdrawing Minister al-Sabbah, they are evident as we said at the time. When the government drafted its working paper for the Lebanese crisis, it completely ignored the crisis of the South. We read this paper, and it was inconceivable that we should represent the regime, when it has such a position regarding a conspiracy against the holiest case in all Lebanon, against the fate of every Lebanese and ultimately against the pan-Arab destiny. If we have a truce with the government today, it is out of hope that it will compensate for that previous position at the coming Arab summit conference. Note that it did modify the paper as a result of our position, but this modification is inadequate, because it was made under pressure. We want the government to take a position today out of conviction and to work for this position, and consequently, to adopt positions of responsibility toward everyone, in light of the decisions made.

[Question] The Independent Bloc seems stronger today than it used to be, after it became organized internally and elected a cabinet office for itself. If this bloc made a decision to withdraw its ministers from the government, do you think that the ministers would adhere to such a decision?

[Answer] The assumption is that the ministers would adhere to the decision.

[Question] Everyone is talking about a broad front to meet the coming stage. Where would this front come from, and does the coming stage mean the presidential elections?

[Answer] As you say, everyone is talking about the broad front. We are too. We listen and we talk. The broad front means a harmonious front, in agreement on ideas and positions about the national issues. I can only give you an impression about it, since it has not yet been formed.

I would not call the coming stage the stage of presidential elections. The election of the president is only one of the important coming events, or rather, the coming stage includes all the initiatives and concepts for the Lebanese crisis.

[Question] It had been expected that an alliance would be formed between you and presidents Franjivah and Karami and Walid Jumblatt. Will this alliance be formed soon, and consequently, will it be aimed at the re-election of president Franjiyah, especially since you oppose amending the constitution in order to move up the election date.

[Answer] I never said that I opposed the amendment. On the contrary, I said if this amendment was to give the Chamber more objective scope for the election process, then the proposed amendment was positive. But if it did not do that, then I would oppose it.

We should be able to elect a president in the prescribed constitutional period. "Don't tell me anything that I did not say." I still must answer the first part. I don't know what the word alliance means. If it means to sign a pact, this subject in fact has not been brought up. But there have been meetings in various places on the personal level. Not everything that we exchanged in the way of visits and meetings on specific occasions should be interpreted as having a hidden meaning, nor should the label of alliance be pinned to them. As a matter of face we are meeting with them in various places, but we have absolutely no specific plan or secret goals.

[Question] The fortunes of Brigadier Raymond Iddih rise and fall with the security convulsions in Lebanon, and some consider him a savior. Do you think he will have good luck this time?

[Answer] What do you want me to answer? If you want me to answer on behalf of Raymond Iddih, we are afraid you'll burn the man (laughing), and if we told you no, we don't want that, either. In any event, we respect all the persons who have the capability to carry out the duties of the presidency; Raymond Iddih is one of those. But the issue is not one of personalities. We feel it important that the Chamber be able to meet freely and to elect freely, and that the person elected be by the will of a unified and united people within a united Lebanon. Of course, to be in harmony with this will, he must be conversant with responsibility.

[Question] In the last presidential elections, you broached the idea of a third candidate. Is this idea appropriate for this stage?

[Answer] We broached the idea of a third candidate, because there were two candidates whose campaign had taken on a competitive stamp. Today, the campaign has not yet been narrowed down to personalities, so that this idea is surfacing. A third is possible; this would be the first time.

[Question] The Phalangist deputies took a position in the recent Chamber elections separate from the Liberal deputies, and voted for you. Do you consider this to be a political debt for you and consequently, will you support the Phalangist candidate for the next presidency?

[Answer] This is very amusing! In order for one to be in debt, one must have incurred a debt, right? When I ask you for 10 pounds, I am obligated to repay you with interest, but when I don't ask you for anything, then what's the problem!

Regarding the Chamber's presidential election, I contacted no one, not because I wanted to look down on my fellow deputies, as some wanted to interpret that, but because I considered that an infringement on the deputy's honor, especially when the matter is a part of national responsibility. Every deputy acts in accordance with his convictions. In fact, I did not contact anyone who supported me. I was very grateful to them, including the Phalangists, because they adhered to their own and to national convictions, without there being anything owed, and consequently, a payment of this debt in the future.

As I said goodbye to Speaker al-As'ad, he said: "Despite my satisfaction, or dissatisfaction, with the questions, I respect intelligent questions. We told Salim al-Lawzi, God help you. Now you will see how we must deal with you!"

7005

CSO: 4404/174

RESULTS OF 'ARAFAT'S MEETING WITH SARKIS DISCUSSED

London AL-MAJALLAH in Arabic No 94, 28 Nov - 4 Dec 81 p 13

[Article by Sallah 'Awwad: "'Arafat Promised Sarkis Not to Operate Against Israel From the South, Except in Self-Defense"]

[Text] Lebanese President Ilyas Sarkis met with PLO Chairman Yassir 'Arafat after a long hiatus, and the results of the talks was tantamount to a "Palestinian-Lebanese agreement to cease fire" which both have taken to the Arab summit conference in Fez, and both will meet with the American envoy, Phillip Habib. Moreover, the cease fire agreement between the PLO and Israel has opened the door for Arab initiatives to try to find a comprehensive and lasting solution to the Middle East crisis. Observers also expect that the new cease fire agreement will open the door for Arab and international efforts aimed at "putting out the fire in the area and working for stability in Lebanon." This is the mission that American President Reagan gave his envoy, Mr Habib, to carry out on his trip that began this week.

Observers also think that, despite the threat to which last July's cease fire between the PLO and Israel is being subjected, especially after the intensive Israeli military movements in South Lebanon, the new cease fire agreement will be an alternative to safeguard a minimum of calm in Lebanon, in order to keep the way clear for efforts to solve the crisis. Therefore, the reactions that came from the various Lebanese factions on the second day of the Sarkis-'Arafat meeting, on 18 November, were very revealing. The Phalange did not express an objection to the meeting, nor did the Palestinian organizations that did not have prior knowledge of the meeting. Lebanese Front circles only expressed some limited reservations, while a number of ministers, along with some deputies, led by the president of the Chamber of Deputies, Kamal al-As'ad, expressed the hope for some progress, and called for other steps to reinforce that. They stressed that tying the Lebanese and Palestinian issues together was a fateful step and that it must lead to continuous meetings and consultations on all levels between the two sides.

Official sources have told AL-MAJALLAH that, at the Lebanese president's wish, the two sides agreed to hold another summit meeting after the conclusion of the Arab summit, and in light of the resolutions that it issued. However, those sources said that a date for the expected meeting has not been set.

The meeting was held in a private room in the garden of President Sarkis' family residence in al-Shabaniyah, after an interval that had lasted approximately 2 years, during which the two men had only met at Arab summit conferences and at the Islamic Conference meeting.

Sources told AL-MAJALLAH that the final date for the Sarkis-'Arafat meeting eventually came about after efforts were made by several Arab and Lebanese factions. First of all, there was the Saudi efforts made through the Saudi Ambassador to Lebanon, Lt Gen 'Ali al-Sha'ir, and then through the Saudi foreign minister, Sa'ud al-Faysal, in connection with the meetings of the Arab Follow-up Committee.

Information has it that Syria, more than once, advised Sarkis to open a dialogue with the Palestinians, and to make direct contacts with them. This information adds that the latest one to attempt to arrange this meeting was the Algerian envoy, al-Akhdhar al-Ibrahimi, who acted on the logical premise that if this meeting proved to be of no benefit, it still would not hurt. This information also says that al-Ibrahimi urged Sarkis to hold this meeting so as to give the Arabs at the next summit some time that they could use to discuss other issues.

On the Lebanese level, those who played a prominent role in arranging this meeting included the former prime minister, Sa'ib Salam, and businessmen from the Salam family who have good relations with the Palestinian Resistance. He had previously arranged several meetings for it with the Lebanese Front and some of the ruling circle.

Sarkis' Rebuke

At the beginning of the meeting, President Sarkis reproached 'Arafat who, in the Lebanese president's words, roams the entire world, but does not visit Ba'bada Palace, located just a stone's throw from his headquarters. 'Arafat supported Sarkis in his rebuke, and referred to the difficult circumstances and security conditions. The two sides agreed on the need for continual consultations between the Lebanese government and the PLO. The Lebanese prime minister, Shafiq al-Wazzan, and Abu Ayyad, one of Fatah's prominent leaders, attended the meeting.

Sources say that a part of the discussions dealt with the recent security measures in West Beirut. These included a ban on walking around with weapons and the closing of party offices. Sarkis expressed his satisfaction with these measures and the hope that they would be fulfilled.

For nearly half of the meeting, 'Arafat reviewed the results of his Arab tour. Sources have told AL-MAJALLAH that the Palestinian leader informed the Lebanese president of information pertaining to the Arab summit conference and the Saudi peace plan that was new to Sarkis. The sources add that Sarkis praised 'Arafat's position regarding the peace plan. He said that the Lebanese position would be revealed during the Arab summit.

After that, the conversation concentrated on the summit, and especially on its agenda.

Sarkis reviewed for 'Arafat the general outlines of the Lebanese position during the summit, and especially the Lebanese working paper which will be submitted. 'Arafat also reviewed the Palestinian position, and asked Sarkis not to embarrass the Arab leaders with the question of South Lebanon, so as not to force them to avoid embarrassment at the expense of the PLO, by compelling it to offer some field concessions in the South.

Information has it that Sarkis complied with 'Arafat's request, and said that the main, important point for Lebanon was that the Arabs bear the political and military burden in the South, because its case was an Arab case.

This information adds that this point was even exceeded when 'Arafat expressed his complete willingness to lift the Palestinian reservations over the Tunis resolutions pertaining to South Lebanon. He reiterated his willingness to have Security Council Resolution 425 applied, which requires expanding the deployment of the Lebanese army in the South, and that the Palestinian Resistance would cease its military operations launched from the South, and would work to extend Lebanese sovereignty over the entire southern area. 'Arafat stressed that the Palestinian Resistance would not carry out any operations from the South, except in cases of self-defense.

The sources stated that the Lebanese and Palestinian sides concentrated on the need to draw up a unified Arab strategy. In this connection, Sarkis expressed his opposition to certain Arab states adopting unilateral decisions offering troops to be garrisoned in the South.

Regarding the possibilities of Israel carrying out a military attack against the South, Sarkis and 'Arafat agreed that it was unlikely that such a blow would be launched before the Arab summit was held. 'Arafat said, "The blow will come in light of that summit's resolutions."

7005

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COMMENTARY UNHAPPY WITH U.S. BASES IN MOROCCO

AB152150 Nouakchott Domestic Service in French 1430 GMT 15 Feb 82

[Station commentary]

[Text] After obtaining military facilities in East Africa, the United States is now trying to (?establish) itself in the northern part of the continent. To this effect, they are using the glorious way through which the great Arab and Islamic conquerors passed 2 centuries ago on their way to the holy wars. There is a great difference between the two crossings, both with regard to the objectives and results.

As a matter of fact, U.S. Secretary of State Alexander Haig's latest visit to Morocco was crowned by the setting up of a joint standing commission between the two countries and by the U.S. decision to establish military bases in that country. Actually, the decision was preceded by various hints which made possible those interested in the security of the region to understand and now believe this decision. In this regard, it must be recalled that the United States recently decided to grant Morocco arms and ammunition without payment, in addition to (?visits) by several U.S. military and intelligence officials who went on an on-the-spot inspection of the operations zone in the Western Sahara.

All this happens at a time when the Arab and African world is facing a difficult situation due to America's (?reluctance) to contribute meaningfully to the promotion of sound relations between the superpowers and Arab and African world.

For instance, those agreements were signed just when the Zionist enemies have decided to annex the Arab Golan Heights and also when the United States has just used its veto in the Security Council against a draft resolution calling for sanctions against the Zionist entity. The United States, through its representative to the United Nations, threatened UN member countries in a bid to prevent the General Assembly from condemning and isolating Israel--the attempt was unsuccessful--after Washington used its veto against measures against the arrogant Zionist enemy. This also happened when the Arab League held a meeting in Tunis to examine Israel's annexation of the Golan and decide on a common position toward the United Nations. It is therefore regrettable that an Arab country--namely Morocco--has engaged in negotiations with the U.S. Secretary of State with a view to establishing a military base in Morocco.

The decision comes when (?Africa) is facing a complex situation in which the super-powers' role is obvious to everyone; it also comes when the Namibian issue is being reviewed in order to bring independence to that African territory; it coincides with the meeting of the OAU implementation committee on the Western Sahara. Lastly, the decision to establish U.S. bases in Morocco comes when [words indistinct]. In this regard, we cannot isolate the latest conference of Islamic foreign affairs ministers held in Africa from the new U.S. policy. For Israel is only a thermometer to measure (?the situation) not only in the Arab world but also the world over. What are the Arab and African circumstances militating for Haig's visit to Morocco? [Passage indistinct]

What is important for us here is to reaffirm our attachment to the interest of the African continent which should not be a breeding ground for East-West tension. We also reaffirm our determination to denounce any foreign presence in Africa, especially when this foreign presence is [word indistinct]. We are convinced that the establishment of U.S. bases in Morocco not only sets a dangerous precedent; it is also bound to perpetuate the suffering of the people in the region and to hamper the settlement of the Western Sahara conflict. It is also bound to internationalize the problem, which the OAU and the Arab league have always rejected, along with the people concerned. We also make a point of reaffirming that the settlement of this problem will not be found in the perpetuation of this fratricidal war nor in appealing to foreign force. It will rather be found by respecting the supreme interests of the people of the region and by implementing the OAU and UN resolutions calling for a halt to the fighting and the holding of a general and free referendum to enable the Saharan people to choose their own leader whatever the price.

CSO: 4700/732

ISLAMIC FIRM IN U.S. PLANNED

Jiddah ARAB NEWS in English 29 Jan 82 p 1

[Text]

WASHINGTON, Jan. 28 — Prince Muhammad Al-Faisal, is planning to start an investment company in the United States to be capitalized at \$500 million, possibly more.

The venture will make equity investments in U.S. companies with business lines acceptable under Islamic law. Details of the investment company will be announced at a meeting of bankers and other executives this week in New York. But preliminary details of the Prince's plans were reported Wednesday in the *Wall Street Journal*.

The new investment firm will be a subsidiary of the Islamic Investment Company of Geneva, a holding company capitalized at \$1 billion.

The Prince's company will seek investments from American sources, and hopes to appeal to the Muslim community in America.

A spokesman for Prince Muhammad told the *Wall Street Journal* that Muslims in the United States are "stymied by the approach of banks" which charge interest on loans and pay interest on deposits. He explained that, under Islamic law, that is forbidden.

The unidentified spokesman said the new company would make a variety of investments in the United States. One example he cited would be the funding for construction and operation of a chicken meat processing plant in a depressed area of New York City. The plant could process about 200,000 tons of chicken meat a year, and would create jobs in an area currently experiencing acute unemployment.

The Islamic Center of Philadelphia, which already operates a similar plant, would be put in charge of the New York operation, to be "an extension of the center's business."

Prince Faisal will base his company in New York. He is considering opening subsidiary offices in Houston and Philadelphia.

ISLAMIC MONETARY FUND STUDIED

Jiddah ARAB NEWS in English 22 Jan 82 p 2

[Article by Maher Abbass]

[Text]

JEDDAH, Jan. 21 — Arab and Islamic states are planning to establish their own Islamic monetary fund in order to free their economies from the restrictions and domination of the industrialized countries now holding the majority shares of the International Monetary Fund, according to a senior Saudi Arabian economist Thursday.

Dr. Wadi Ahmad Kabli, an adviser to the IMF on behalf of the Kingdom, told *Arab News* that in addition to creating an economic group, the formation of the Islamic monetary fund will have a political impact in favor of the member states. "It will also facilitate the task of those interested in creating a united currency for Arab and Islamic countries through a special drawing unit that will represent these states against the predominance of the dollar and the pound sterling," Kabli said.

Saudi Arabia will concentrate at the forthcoming session of the IMF, scheduled for Canada in October, on the issue of international trade and development of non-oil Third World countries. "We will call on the international society for opening the markets of the industrial states for products of developing countries," Kabli said.

He stressed the economic integration and coordination among the states of the Gulf. The local markets are limited and duplication of a certain industry result in offer offsetting demand. "That is the task of the Gulf Cooperation Council," he said.

He added that the creation of the GCC further brightens the economic and financial future of the Arab Gulf states. "Consequently, this urges us to assume a larger role

in the international arena in support of developing countries, especially Arab and Islamic states," he said.

The Kingdom won a permanent seat at the IMF board of governors in 1978, which led to closer cooperation between Saudi Arabia and the international body. The Kingdom is the second largest single source of loans for the IMF.

In 1979, negotiations between the IMF and the Saudi Arabian Monetary Fund (SAMA) reached an agreement under which the Kingdom would loan the IMF 12 billion SDR. The loan will be extended over a three-year period of which four billion SDR was granted in 1981. An equivalent sum will be extended this year and the remaining in 1983, according to Kabli.

This loan is the biggest extended to IMF by a single country. Now the Kingdom holds 2.1 billion SDRs, representing 3.5 percent of the IMF's capital.

Saudi Arabia also will spearhead a drive by the Arab, Islamic and friendly African groups to urge discussing the Palestine Liberation Organization's request for an observer status at upcoming IMF board session. PLO's observer status is an issue Arab countries desire to change into reality, Dr. Kabli said in a recent interview with *Arab News*. "However, the United States and European countries, holding the majority of shares at the IMF, have influenced voting and blocked the decision to grant the PLO request so far," Kabli said.

Kabli had given a lecture on a future relations between the IMF and the Kingdom, the Arab and Islamic groups, earlier this week at King Abdul Aziz University in Jeddah.

MILITARY WEAPONS IMPORT RESTRICTED

Jiddah ARAB NEWS in English 11 Jan 82 p 2

[Text]

JEDDAH, Jan. 10 — Only government departments can import, sell, hold, circulate or repair military weapons, their ammunition and parts, according to the new law on arms and ammunition which was published this week in the official gazette *Ummul Qura*.

The new law has been promulgated by King Khaled Dec. 15 after getting a prior approval by the Council of Ministers on Nov. 23.

Also, according to provisions of the law, government departments alone can manufacture personal, hunting or training firearms and their ammunition, spare parts and related equipment. After obtaining the necessary permission from the Interior Ministry, individuals can possess, import or deal in personal, hunting or training firearms and their ammunition and parts. Otherwise, only the National Guard, Armed Forces, Internal Security and Intelligence personnel and licensed guard and a special category of government officials can own firearms.

Saudi Arabians only are entitled to import, and sell hunting arms, their spare parts and ammunition, provided they obtain permission from the interior minister. However, persons possessing or carrying sports weapons and their ammunition do not need a license, provided that no modification is introduced to their original mechanism. Antique weapons of historical value (more than 80 years old) can be imported and traded by obtaining a license from the Interior Minister.

The import, sale or possession of weapons which are not fire arms does not require a license. However, the interior minister shall govern the import and sale of such weapons and can ban their possession in certain places and at particular times. The new law also regulates the weapons repairing profession.

Members of the diplomatic and consular corps accredited to Saudi Arabia can bring in, possess and carry personal and hunting weapons and their ordinary ammunition after obtaining the necessary licenses and according to the principles of reciprocal treatment. The licenses can be obtained from the interior ministry upon a recommendation by the Foreign Ministry.

However, diplomats and consular officials only can transfer the ownership of their weapons to members of their accredited diplomatic or consular mission in the Kingdom. Otherwise, the weapons will have to go out of Saudi Arabia with the departure of the person concerned and in case he is no longer a diplomat or a consular official.

In accordance with international traditions, members of official or military delegations or those on official missions can bring in and possess the ordinary personal weapons provided that a reciprocal treatment is given to Saudi Arabians in their respective countries. In all cases the interior ministry will have to be informed in advance.

Anyone smuggling military or personal weapons or ammunition to Saudi Arabia to disturb security or spread corruption will be imprisoned for not less than five years and not more than 30 and fined at least SR100,000 and maximum SR200,000.

The same applies to anyone manufacturing, collecting, selling, buying or possessing such weapons, spare parts and ammunition with the intention of disrupting security. Other provisions are included in the law for the other types of weapons, and the interior minister can decide on further sanctions and seek approval of the Royal Court.

COUNCIL TO STUDY GULF LABOR FORCE

Jiddah ARAB NEWS in English 13 Jan 82 pp 2, 12

[Text]

RIYADH, Jan. 12 (SPA) — Gulf labor ministers voted to conduct a study to identify and analyze the national and expatriate work force in order to determine which job categories could be filled by Arab workers. The study is necessary because of the absence of sufficient local manpower.

The study was one of several resolutions and recommendations approved by participants in the Arab Gulf Labor Ministerial Council at the end of their meetings here Monday night. The council assigned its follow-up committee to conduct the study, which was contained in a report prepared by the bureau's secretary general.

The ministerial council also asked the follow-up committee to maintain previous resolutions and recommendations. The committee also was requested to provide member states with working papers regarding a proposed five-year plan for labor and social affairs. The bureau will plan additional detailed programs and joint labor and social projects, which could be implemented on the Gulf level.

The ministers favored closer cooperation with the region's universities, scientific centers and promoting contacts with the International Labor Organization (ILO) to benefit from its programs, technical and professional assistance, in addition to the resources of the Arab Labor Organization (ALO).

In political developments, the council denounced the conspiracy directed toward Bahrain and called on Gulf states to stand united against subversive activities. It also called on all peace-loving countries to denounce Iran's subversive conspiracy against Bahrain.

The Kingdom and Qatar, as members of the World Union for Child Care's executive bureau, were charged with a fact-finding task pertaining to Israel and South Africa's membership at the union.

The labor and social affairs ministers of the

Kingdom, Bahrain, Kuwait, the United Arab Emirates, Qatar, Oman and Iraq, began their conference here Saturday.

The council emphasized the important role played by social development centers in local societies and their connection to the development plans of Gulf states. In this regard, it called for carrying out the principles and methods proposed by the follow up bureau and the council's committee of experts.

The bureau and experts also recommended proposals for conducting studies on the conditions of social and labor services in the member states to find at a common principle to improve the productivity of workers and their standards of living.

The bureau was requested to probe the effect of foreign nannies in the structure of the Arab family in the Gulf. The bureau will cooperate with the Arab Educational Bureau to carry out the studies. The results will be submitted to the council's forthcoming session.

The council highlighted the importance of exchanging visits between social and labor experts of concerned ministries to share expertise and get acquainted with experiments carried out by any side.

The secretary general's report also has specified previous resolutions and recommendation of social services for Gulf children and the council urged their implementation.

The ministers and participating delegations sent cables of thanks to King Khaled and Crown Prince Fahd "for the warm welcome" extended to them. The cables were sent by Labor and Social Affairs Minister Sheikh Ibrahim Al-Anqari on their behalf.

The council also expressed gratitude to Riyadh Governor Prince Salman and cabled support to the Ruler of Bahrain Sheikh Issa ibn Salman Al-Khalifa against the subversive activities directed toward his country.

PRESS OFFICES ABROAD PLANNED

Jiddah ARAB NEWS in English 25 Jan 82 p 2

[Text]

RIYADH, Jan. 25 (SPA) — Information Minister Dr. Muhammad Abdo Yamani said the government was preparing plans to open Saudi Arabian centers abroad as part of a larger program to increase the foreign media understanding of the kingdom.

Speaking to the Nicosia-based *Al-Ash* weekly newsmagazine, Dr. Yamani said he had studied a number of plans for increasing the activities of the kingdom's press and public relations abroad. A number of Saudi Arabian delegations will be going abroad to hold discussions with leaders and pressmen in Europe and the U.S. He described the country's press as a part and parcel of the Arab press "which is undergoing a similar crisis."

Dr. Yamani envisaged closer cooperation between the media of the Gulf region through the Gulf Cooperation Council and said that the formation of the Gulf News Agency provides a good example of the meaningful cooperation among the member states.

He said Saudi Arabia was accomplishing a special task in easing international economic crises and fighting worldwide depression by

controlling the price of oil and devising a stable oil policy. "But while this role has entitled the country to a leadership status, it has also brought with it a hostile press campaign," he said.

He regretted the current press attacks on the country by Iran although Saudi Arabia has maintained a strict silence by its official media because it was determined not to be dragged into a war of words or a slanging match with any other party. He said such attacks and deliberate news distortions are aimed at undermining the country's positive role in support of Islamic and Arab issues.

They also are the result of jealousy and envy by other states which are disturbed by the kingdom's constructive role for the benefit of the Arab and Islamic nations.

The minister said that the Kingdom is a country which embraces within its borders the two Islamic shrines and while it takes great care to perform its duties in this context Saudi Arabia regrets the hostile reactions, and comments made by certain quarters.

CSO: 4400/129

COMMODITY IMPORTS FIGURES REPORTED

Jiddah ARAB NEWS in English 2 Feb 82 p 2

[Text]

RIYADH, Feb. 1 (SPA) — Saudi Arabia imported 28 million tons of different kinds of commodities worth SR110.16 billion during the year 1401H (ending Oct. 27, 1981), an official spokesman of the Ministry of Finance and National Economy said here Monday.

He added that, according to official statements submitted by the customs department to the ministry on imports during the year, rice, flour, milk, edible oils and sugar occupied prominent places in the list of imported items which touched the 2.3 million tons mark, costing SR3.7 billion.

During the same period, 4.7 million head of cattle (sheep, cows and camels) were imported at a cost of SR1.9 billion; 350,000 cars at a cost of SR8.8 billion; 330,000 tons of meat at a cost of SR1.8 billion and cement and reinforced iron costing SR3.5 billion, he added.

The spokesman said the imports of agricultural equipment went up during that period as a result of a 107 percent rise in their demand, as compared to the preceding year. Meanwhile, heavy transport vehicles registered an increase of 87 percent; sugar, 69 percent; fully furnished cars, 57 percent; aluminium, 50 percent; and various kinds of meat 43 percent.

But, the spokesman said, the imports of flour declined by 63 percent; car spare parts, by 58 percent; edible oils by 42 percent; reinforced iron by 24 percent; and milk by 14 percent. The decline in the quantity of import of these items has resulted either from their increased production locally or from the completion of their production projects, he added.

DIFFERENCES WITH ITALIANS RECONCILED

London 8 DAYS in English No 3, 23 Jan 82 pp 26-27

[Article by Fulvio Grimaldi]

[Text]

ITALY AND SAUDI ARABIA have become fully reconciled after their two-year dispute over the notorious ENI-Petromin commission scandal, following Italian Foreign Minister Emilio Colombo's visit to the kingdom. Colombo's January trip also included a fruitless meeting in Cairo with Egyptian Minister of State for Foreign Affairs Boutros Ghali, and a more profitable encounter with King Hussein and Crown Prince Hassan in Jordan.

Rome's acknowledgement that Saudi Arabia did not pocket any commissions from the 1980 ENI-Petromin supply contract cleared the ground for renewed economic cooperation between the two countries. Crown Prince Fahd and Oil Minister Sheikh Yamani agreed to renew the supply contract and extend the time over which ENI would receive 5m tonnes of crude (initially it was due during the second half of 1981). However, ENI will have to pay standard Opec prices (previously it was paying Petromin \$32 a barrel). Saudi supplies to private Italian buyers will continue unchanged, and this will push the kingdom's total supplies to Italy to some 30m tonnes — almost a third of all Italian oil imports.

Meanwhile, Colombo was able to offset part of Italy's huge trade deficit (imports \$4.1bn, exports \$1.2m) with Saudi Arabia through a preliminary agreement to increase Italy's supplies in the light industry, electronics, construction, transport, agricultural machinery and armaments sectors.

The two countries also agreed to establish a Saudi-Italian bank to support joint ventures and channel Saudi petrodollars into the Italian economy. This agreement was Saudi Arabia's response to Rome's decision

to allow a Saudi-financed mosque to be built in the Italian capital.

Politically the two sides found much in common. Italy's full approval of Crown Prince Fahd's peace plan and its condemnation of Israel's annexation of the Golan Heights was supplemented by Colombo's declaration that Italy was fully committed towards the EEC's 1980 Venice Declaration. Colombo also toned down Italy's enthusiasm for participating in the Sinai peacekeeping force.

Colombo had a less easy ride in Amman, where criticism of the EEC's departure from the spirit of the Venice Declaration in favour of implementation of Camp David through the Sinai force was more radical. An embarrassed Colombo tried to reassure the Jordanians that Italy's participation in the peacekeeping force was aimed only at the return of the rest of Sinai to Egypt. Crown Prince Hassan countered that any implementation of Camp David merely appeased Israel and encouraged its policy of creeping annexation. He warned that the increase in the number of Israeli settlements on the West Bank (the total is now over 100) presaged the imminent annexation of the territory.

After provisional agreement on an increased Italian contribution to Jordan's Five Year Plan, Colombo left for Rome, where he caught the tail end of Israeli Foreign Minister Yitzhak Shamir's visit to Italy. The two met on 10 January and the atmosphere was described as cool, especially in the wake of the Golan annexation. Nevertheless the two ministers did discuss a common Jewish-Catholic strategy on Poland.

Shamir had earlier received a sympath-

etic hearing from Prime Minister Giovanni Spadolini and, more significantly, engineered a meeting with Pope John Paul II. Last year the Pope refused to meet Shamir, reaffirming the Vatican's support of Palestinian rights and international status for Jerusalem.

In his meeting with the Israeli minister, Pope John Paul counterbalanced this attitude with support for the Camp David peace process and measures guaranteeing absolute security for Israel. According to Vatican sources, the two men agreed that the priority in Lebanon was the protection of the Christian community. All in all, the highly publicised meeting, which effectively resulted in tacit Vatican approval for Zionist strategies, was a diplomatic coup.

● The Arab-Israeli conflict, which has divided Italian politicians into two camps, took a Machiavellian twist following allegation by the pro-American weekly *Panorama* that the Israelis were involved in the kidnapping of Nato's General James Dozier.

The general was abducted from his home in Verona on 17 December by members of the Red Brigade. *Panorama* alleges that according to arrested terrorist leaders the Israeli secret service Mossad is probably cooperating with the Red Brigades.

In return for destabilising Italy, 'so as to convince Washington that its only reliable ally in the Mediterranean is Israel,' the Red Brigades would receive arms, funds and advice about CIA infiltration from Mossad.

At a press conference organised to answer these allegations, a Socialist Party spokesman told astonished journalists that Mossad had in fact warned Nato of an imminent Red Brigades' operation in Verona involving an American general. The warning went unheeded.

FRENCH TO BUILD MEDICAL SCHOOL

Jiddah SAUDI BUSINESS in English No 41, 5 Feb 82 p 11

[Text]

SAINRAPT ET BRICE, France's largest construction firm has won a contract to build Phase One of the medical school of the Arabian Gulf University in Bahrain. Work will begin on the \$44.5 million project February 5 — allowing one month for mobilization. The work should be completed by February of 1984.

The original designs for this extension to Bahrain's Salmaniya Hospital complex were done by the University of Kuwait for their faculty. A technical committee, headed by Bahrain's Minister of Health Dr. Ali Fakhro, then turned this brief over to the Lebanese-based consultancy firm Khatib and Alalami to redesign the buildings to fit Bahrain's structural requirements.

Without this brief, the whole project would have been over-extended, as the facilities that the medical school will offer are the same as those in Kuwait. It will be a six-story building on a 35,000 square-meter site with 123 laboratories and a complete medical library; facilities for autopsy, surgery and pediatrics.

The \$400,000 redesign project was awarded to Khatib and Alalami in November 1980, and enabled a further contract to the U.K. giant Cementation to start on the first phase. This piling contract, worth \$1.6 million, was completed before time in December, 1981, and was, according to the University Project deputy director, Hisham Shehabi, "an excellent job, which unlike most piling contracts was not only finished before time, but left the

site in such good order that we were able to give the order to Sainrapt et Brice to commence work on January 5 this year.

The French firm already has an established reputation in the Gulf. Presently it is undertaking some large construction projects in Abu Dhabi and was the main contractors for Bahrain's Regency Inter-Continental Hotel.

Sainrapt et Brice was chosen from a list of 14, which included several joint Bahraini and foreign ventures. The medical college is the first part of the major Gulf University project. There is an urgent need in the Gulf to cater for national medical students.

"It is getting almost impossible to place our students in medical colleges in Europe and the United States nowadays and even the former Gulf Stelwart, India, is unable to cater for our demand," explained Shehabi when speaking of the urgency with which the university's founding committee regard the project.

The seven Gulf states that support the Arabian Gulf University have already selected 50 pre-medical students between them to start at Bahrain's new college in September, 1982.

Nine students will come from Bahrain, the United Arab Emirates, Qatar and Oman and the remainder from Iraq, Saudi Arabia and Kuwait. The other three states of the seven-state University venture have their own colleges of medicine; Iraq boasts three and there are modern facilities in both Saudi Arabia and Kuwait. Nevertheless, the need for all the seven participating

states is pressing. For once the initial 50 students have completed their two-year, pre-medical course at the college they will then take a further five-year course in medical science before they can start practicing medicine, probably at Bahrain's Salmaniya Hospital, which will act as a teaching hospital for the college.

But these few students are only the dust on the mountain of the 10,000 students who will eventually be catered for as the university complex is completed by the year 2000.

When the medical school redesign was given to the Lebanese consultancy firm in November 1980, the university project was going through the pre-qualification of the master plan for the major university complex.

The U.K. firm Sheppard Robson Overseas, won the \$695,000 contract which was completed by December, 1981. The model of the 400 hectare site is presently in transit from the U.K. and should be arriving shortly, said Shehabi. The plans are now at the printers. The supporting consultants in preparing this master plan were also U.K. firms, Sir Alexander Gibb & Partners; John Kelsey Associates for the landscape and environmental design; and Hanscomb Partnership to advise on costs. The Islamic advisers are Iraq and Abu Dhabi.

The university project's director Dr. Abdullah Al Rifai, hopes to award contracts for the work on this project late in 1982 so students can begin using the facility in September/October, 1985.

There will be the main residential building for the staff and students at Sakhi, on the road from Awali, to Zallaq, on the southeast of the island. All other packages such as the academic area, the academic support facilities and then the engineering contracts, the

architectural designs will be awarded to different contractors.

It is the university project's intention to offer as many slices of the cake as is viable. Consequently they will be looking for different contractors to handle the large and the small packages in order "to give everyone a chance," said Shehabi. Because, he said, they will be working in "areas," the overall budget figures are notional if put at rough estimates of \$400 million. "It may take more or less than that figure," he said. "As contracts are awarded and work commences the figures will begin to firm up."

The project is currently working on a two-year budget for 1982 into the first part of 1983, at about \$106 million. "We may require more than that, but I anticipate it will be less," said Shehabi. Although there are 17 universities in the Gulf the Gulf University is designed to augment and support the others.

"The idea is that this university will not compete with the others, but offer the majority of our education program for producing teachers of science," explained Shehabi. Ultimately the Gulf University is expected to offer more graduate than undergraduate courses and place much emphasis on research.

The earliest suggestion for the university came in 1975, when the Arab Bureau of Education mooted a seven-state joint venture in tertiary education. In 1979 the Arab ministers of education involved chose to build a single campus university in Bahrain, which with Oman is the only Gulf state without a national university. Iraq has four universities, Saudi Arabia six; and Qatar, Kuwait and the UAE each has one. Oman is presently building one and Shehabi indicated that despite the Gulf University, Bahrain was about to join the national university league.

MONETARY AGENCY MOVES SPUR TOKYO STOCK MARKET

Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 11

[Text]

Reports that the Saudi Arabian Monetary Agency (SAMA) was to buy convertible debentures of two Japanese companies touched off a big rally on the Tokyo Stock Exchange on January 22. The debentures, to be issued by Sony Corporation and Honda Motor, would mark SAMA's entry for the first time into the Japanese market for equities. Saudi Arabia is reported to hold about Y 2,000 billion (\$9 billion) worth of Japanese national and straight corporate bonds, almost half of which were purchased last year.

The Japanese financial newspaper *Nihon Keizai Shimbun* triggered the upsurge in stock prices in Tokyo by reporting that Sony would issue Y 20 billion (\$90 million) worth of 10-year convertible bonds and that Honda was planning a Y 10 billion (\$45 million) issue. Both would be issued at par and carry a 5.6 per cent coupon, the newspaper stated. It said the Sony bonds were being underwritten by Nomura Securities and Barney, Harris Upham International and that Nomura and Merrill Lynch Securities was handling the Honda issue. It added

that the bonds would be sold privately to SAMA at 98 per cent of par and that conversion prices would be fixed shortly. Neither Sony nor Honda would confirm or deny the report, although Honda said it had been discussing the possibility of a bond issue with Nomura.

According to reports from Tokyo, the rally took the market somewhat by surprise because trading in most shares had been dull, with strong selling pressures coming from the need by investors to cover purchases of stocks made on credit during the period of peak prices late last summer. News of the planned SAMA investment sent the Nikkei Dow index of 225 shares up by Y 88.85 during a day of heavy trading and the index closed at Y 7,823.36, a five-month high.

Notwithstanding the reticence of Sony and Honda, the report from Tokyo quoted securities market sources as saying that talks between SAMA and the two companies on bond issues had been held last year. It was believed that other big Japanese companies were hoping to make similar placements of bonds with SAMA, the report said.

CSO: 4400/131

REGISTRATION FEE FOR CAR OWNERS APPROVED

Jiddah ARAB NEWS in English 14 Jan 82 p 2

[Article by Maher Abbass]

[Text]

JEDDAH, Jan 13 — Interior Minister Prince-Naif has approved a plan under which every car owner will have to deposit SR5,000 when registering the vehicle with the traffic department, according to officials Wednesday.

The new plan is expected to effectively limit the increasing number of cars in the country and contribute to easing traffic congestion. The deposit will be paid once, but proof of payment will have to be shown upon renewal.

The plan's final details are being discussed in Riyadh, and will be implemented when all aspects are studied. The date of implementation depends on the Traffic Directorate General's introduction of a special department for "security deposits" and appointment of personnel to run and supervise it.

Traffic departments across the Kingdom will begin meetings Saturday to draw up details on the application of the proposed security deposit plan, the officials said.

Maj. Ali Ahmad Al-Bar, assistant director general of Jeddah traffic, told *Arab News* that the deposit will cover all types of cars. New cars will not be given number plates unless they pay the deposit. Sales of used cars between two individuals also will be governed by the new ruling since a buyer cannot renew the car registration or cannot have new number plates until he proves that the "deposit" has been paid.

In case of an accident that renders a particular car unusable, the owner will be refunded when he turns in the number plates

and the receipt upon which he had paid the insurance, Bar said. As for renewing car registration, "That will not be fulfilled unless the deposit is paid regardless of the value of the car when the renewal is made," he added.

Bar said the plan is intended to limit the increasing number of cars in the Kingdom. The plan has two main objectives: first, to reduce the amount of cars bought jointly by several expatriates, who have a limited income and purchase battered cars — which spoils the country's beauty and adds to traffic congestion.

Second, the new plan also will stop the sale of cars in which ownership deeds pile up without being renewed. Bar said traffic checks will continue to oversee the implementation of the deposit plan.

But in the case of Saudi Arabian nationals, the plan is expected to ease congestion, since many families own more than one car and some members of these families are not qualified to drive.

"Therefore, we find that this plan will limit the increasing purchase of cars by all citizens," Bar said. It also will make a person seriously consider his actions before buying a car or using it in regard to ownership and proper driving license, he added.

However, he said, exceptions will be made for elderly people and those who have drivers. Such drivers should have valid driving licenses for the Kingdom, Bar added. Each car put for sale should be mechanically sound and should be in good shape body-wise, he added.

COUNTRY ENTERS SULFUR MARKET

Jiddah SAUDI BUSINESS in English No 40, 29 Jan 82 p 35

[Article by Cynthia Shanley]

[Text] Saudi Arabia entered into the sulfur market in late December — introducing a product that is expected to become one of the Kingdom's major exports behind oil and gas.

Devco Overseas Co., based in Tulsa, Oklahoma, and Saudi Arabia's Petro-min have put into operation a \$300 million project to process and market sulfur from the Kingdom's abundant supply of natural gas. The project is located in Shedgum, said Devco Overseas President Frank Muller Jr., and is 45 to 50 kilometers from Abqaiq — "the place which has the largest oil reservoirs known as the Ghawar oil fields."

The Shedgum location is the largest of three sites where sulfur is to be produced in the Kingdom. The others are Berri and Uthmaniyah. According to Muller, no agreement has been signed yet for the Berri location, while at Uthmaniyah, a Swedish company and their Saudi Arabian partners, Red Sea Mining, have signed a contract.

"Geographically, Saudi Arabia is in an excellent place" for the sulfur market, said Muller. "All your ships are inbound to the Arabian Gulf full," he explained. "They'll leave empty, unless they're specialized ships taking out LPG or oil. So a lot of the markets we'll be going to will be very conducive to attractive shipping rates for the price the sulfur will be sold for."

Sulfur exported from Saudi Arabia will be marketed to countries like India, Jordan, Tunisia, Italy, Pakistan,

Greece, Morocco and Thailand, who have a need for sulfur in manufacturing fertilizer.

"In the sulfur marketplace, about 70 percent of all basic natural sulfur is used for the fertilizer industry to make sulfuric acid. This will be the biggest resource that will be exported from the Kingdom," Muller said. "Not only do they (Saudi Arabia) have oil, they also have gas and now they have sulfur — which is essentially a by-product of the purification of the natural gas that they have in the Kingdom."

Sulfur is a commodity. "It's like sugar or coffee with peaks and valleys," Muller continued. "It's not like oil, that seems to go in only one direction." The price of sulfur is a reflection of different agricultural demands and the amount of fertilizer required for the next year. In other words, severe droughts could have an effect on the amount of fertilizer for the next year, or an excess of agricultural foodstuff would mean that next year the country or farmers would cut back in their consumption of sulfur.

"So it's cyclical," Muller said. "But sulfur is finding itself probably at the highest levels of price that it has been at in the past ten years."

"In the last ten years the price has increased significantly. In 1972 the price of sulfur was approximately \$25 a ton. Now we're talking about something that's \$125 a ton."

There are several reasons for the increase in price. For one, there has

been an increase in demand for sulfur. Some of the other sources of sulfur have been curtailed in the past three years. Canada, for example, the largest exporter of sulfur, has had extreme pollution problems in moving the sulfur approximately 700 miles from the interior of the country to the Port of Vancouver. "And they've had union problems at the port itself," Muller said, "which has, inadvertently, increased the price of sulfur over the years."

The United States, he said used to export sulfur, but the primary source of sulfur production was what is called frash sulfur, which is "a hot water deep well injection into a salt dome. In order to do that, you have to heat the water. The cost of energy has gone up, therefore, the cost of the recovery method is more expensive than what it was ten years ago."

Poland is another exporter of sulfur. "There have been significant union and labor problems at their port which have decreased their production and, therefore, increased the price of sulfur in different markets," according to Muller.

"Iran and Iraq were two other exporters of sulfur — although not anywhere near as large as Canada or Poland. Those two places are virtually dead and have been for the last 18 months due to the present conflict," he added.

So the entry of Saudi Arabia into the sulfur market from a time frame point of view is ideal. In Muller's opinion, "The quality of the product will be as good as, if not better than, the minimum standards of the industry." And, he says, given the Kingdom's conservative nature and its understanding of a worldwide marketplace, its entry into the sulfur market will be welcomed by the rest of the world. As much as 900,000 tons of sulfur is expected to be exported annually from the Kingdom, with revenues predicted to exceed \$100 million, based on current prices.

Devco Overseas is a minority partner,

says Muller, in a company incorporated under the law in Saudi Arabia and already formed and registered under the name of Saudi Sulfur Co.

The majority of interest in the company is Saudi. "They include the Shobokshi Group out of Jeddah, Sheikh Saleh Kamel and Sheikh Adnan Samman." The company is hiring as many Saudi nationals as possible, "There are very, very few American expatriates on this," Muller stated.

"We hope to have a laboratory in our operations itself for the full utilization of the research department and any of the graduate students who are dealing in chemical engineering, petroleum engineering, or what have you, in the handling, the moving and the processing of sulfur."

Saudi Sulfur Co.'s Shedgum operation takes sulfur that has been extracted from the Kingdom's sour gas and processes it from its molten form into small pellets. The sulfur is pelletized because if it were allowed to solidify and then broken up, there would be irregular shapes which would create a great deal of pollution and dust.

"The highways in the Kingdom of Saudi Arabia are some of the finest and the most beautiful in the world," Muller said "and more importantly, the ports are among the most beautiful and cleanest in the world. In order to avoid pollution, in order to avoid disharmony to the countryside, to the population or to the ports, we've gone to the additional expense of this special pelletized method to ensure we don't have dust finds or pollution."

From Shedgum, the sulfur pellets are moved in specialized aluminum trailers that are totally covered to avoid any problem to the environment. The sulfur is taken to the Port of Jubail where full-time berths have been leased from the Saudi Ports Authority. From there, the sulfur is loaded onto waiting ships and exported to various countries.

STEEL PRODUCTION DOUBLES, IMPORTS INCREASE

Jiddah SAUDI BUSINESS in English No 40, 29 Jan 82 pp 26-29

[Article by Scott Pendelton and Ahmed Kamal Khusro]

[Text]

International steel prices have declined drastically in the past two years due to global recession and production overcapacity.

For the Kingdom, this has meant the cheapest prices in years for steel reinforcing bars (rebars), which with cement is the primary material of the local construction industry.

While the dump prices might be welcomed in some quarters, they are causing headaches for the SABIC-German joint venture "Sulb," which manufactures rebars from imported steel ingots.

Even steel traders or "stockists," are wary about the impact cheap rebars could have on the market.

For Ahmed Al-Madani, SABIC's director general for mineral projects, the steel dumping appears as an attempt to thwart the Kingdom's plans for steel independence.

"They don't want to see the Arabs making steel," Madani says of the foreign foundries. "Today we're just knocking on the door of the steel club. Within two years we'll be in the club and they'll have to accept us," he says.

Madani especially resents the cheap prices of imported rebars since Sulb has just completed its first year of operations and faces all the difficulties of a new plant.

Originally established in the early 1960s, the Jeddah steel processing plant was taken over later by SABIC and the German group Korf. After extensive modernization and automation, the

plant recommenced production early in 1981. By yearend the plant had reached production of 50,000 tons, or half capacity. Madani says that the plant will reach full capacity this year.

"That's a skill in itself," he adds, noting that operations are farther ahead on "the learning curve" than predicted in the feasibility study.

Nevertheless, "no steel plant is working at a profit," he says. Sulb sold all of 1981's production, and Madani says it did cover its operating costs. Whether it reached that year's target for the seven-year investment payback is another matter.

Sulb is serving the purpose for which it was intended — guaranteeing the availability of rebars in the Western Province. In the mid-70s when ports were jammed and rebar prices spiralled out of sight, that seemed a particularly urgent measure.

Now that supply has caught up with demand, Madani believes foreign producers are trying to pressure the plant into closing.

"Money is confidence. If you lose your money you lose your confidence," he says.

Campaign against imports

Several impending developments could turn the tide in Saudi Arabia's favor. For one, the Ministry of Commerce is planning to launch a campaign against contractors who import their own materials. In doing so the contrac-

tors are deliberately ignoring Saudi law that locally-manufactured products shall be used in government projects, even if the cost is slightly higher.

Furthermore, once the massive steel plant Hadeed comes onstream in Madinat Al-Jubail Al-Sinaiyah, Sulb will be able to buy its ingots, or billets, from within the Kingdom. At present the company scours the European market for likely spot purchases.

Madani also hopes the international supply and demand situation will reverse in the next couple of years. Since 1978, he says, little new capacity has been added in the world. Japan, which had rushed to establish more steel plants, is now shutting many of them down.

"When they see high demand, they put in a lot of capacity," Madani observes. "Then they take it out. It always happens that way." By 1983-1984, he is hoping to find "a serious shortage in the world."

As for demand in the Kingdom, Madani has high expectations. The feasibility studies for Sulb and Hadeed were conducted in 1977, and the plants accordingly designed to meet 80 percent of the market. Now, Al-Madani believes, the plants' production will only meet 60 percent of the market.

Hadeed will have an output of 850,000 tons of steel billets when it comes fully onstream in 1985. Of that, 90,000 tons will be shipped to Sulb for manufacture into rebars, says Ali Al-Ayed, SABIC's project manager for Hadeed. The remaining 760,000 tons will be rolled into rebars and wire rods in Jubail. He notes that Hadeed will have spare production capacity of 20 percent, which the company may activate. "It depends on the market," he says.

Filling in the gaps will be the Kingdom's rebar stockists, a business that has endured violent swings in demand during the recent past.

"Five years ago we had to have policemen guard us from customers throwing their money at us to get steel and cement," says Riyadh stockist Saad Ibrahim Al-Mojel.

But today? "The customers are getting lazy. Now we have to go where the customers are." Al-Mojel notes that the

stockists' margin on rebars is 2-5 percent. "Five percent is very good since volume is big." From 1978 to 1980 when demand was rising, stockists made as much as 15 percent on a ton of rebar.

Dumping

The last year and a half, though, has taken revenge. Stockists have been importing rebars which, by the time they arrived, had cost more than the current retail price. As prices continued to slump, stockists continued to find themselves buying high and selling low. Panicked, many dumped their expensive inventories and imported lower-priced shipment, only to have the same thing happen again.

Now, Al-Mojel says, prices have flattened out and business has recovered somewhat.

Steel stocking is an expensive business even in the best of times. Al-Mojel keeps an inventory of 20,000 tons of all varieties of rebar at this warehouse in the Sulai area of Riyadh. Given the prevailing price of SR1,200 for deformed rebars and SR1,170 for plain bars, Al-Mojel has SR24 million permanently tied up in inventory. And some stockists keep up to 100,000 tons at hand, he notes.

Al-Mojel also keeps another 30,000 tons of rebars on order all the time, which means that another SR3.6 million is always at the bank as the 10 percent deposit guaranteeing letters of credit.

Sellers also receive payment within several days of loading the shipment onto a vessel. Stockists must pay the full cost and freight weeks before receiving the shipment, although the banks are willing to carry the cost for a service charge.

The cranes that handle the rebars cost as much as SR400,000 each.

Al-Mojel keeps inventory cost down by keeping close control over delivery dates and quantity. Of the 100,000 tons of rebars he imported in 1981, 48,000 came by truck from the Qatar Steel Co., a Japanese joint venture.

Al-Mojel has bought from Qatar since the plant opened in August, 1978, with never a missed delivery, never a shortage of a desired rebar size, never a shipment rejected by the quality control laboratories.

Having all sizes in stock is an important factor that encourages repeat customers, he says. Stockists often buy from each other and resell the bars at a loss rather than be out of a particular rebar.

As to quantity, Al-Mojel notes that Asian manufacturers will deliver bundles containing a specific number of rebars. This speeds his handling efficiency. European firms ship bundles of no specific number. That and proximity to Asia causes him to look east for all his rebars.

In fact, prices being what they are, even Qatar Steel can't cope. They have recently asked customers to accept a raise in price, keeping in mind their quality and reliability.

"They want to raise their price thirty riyals when I'm asking customers for ten riyals more and can't get it," Al-Mojel says. Were it not for price, his firm would be buying 5,000 tons per month from Qatar, or 60,000 per year, rather than last year's lower level.

Prices down

Al-Mojel plans to increase overall imports, with Japan likely to see a lot of business. Two years ago the price in Japan for rebars was \$390 per ton. Now it is \$270 per ton there and for Japanese steel here also. Freight ought to push that price up 15 percent, but the export price is cut to dump the excess output.

Despite the tight margins for rebar stockists, Al-Mojel prefers to pay SR50 per ton to truck his rebars from Dammam than SR15 for the train. Train-shipped rebars are stocked on government land, where they lie on the ground and rust. The dust coating they collect also insulates them from the concrete, factors which could cause the rebars to be rejected by project consultants.

Instead, Al-Mojel stocks the rebars at his asphalted warehouse. Shipping by train and then stocking at his warehouse wouldn't be economical, he says, due to the double handling that would require.

Al-Mojel notes that although some contractors still import their own rebars, many have discontinued this practice. As importers they were subjected to the same price plummet as the stockists, in addition to lost interest. And the stored rebars often deterior-

ated to the point that consultants rejected them.

Originally the contractors imported their own to guarantee availability. But that is no longer a concern. Furthermore, stockists offer 30-days' credit to major contractors of infallible reputation. "We are extremely conservative," Al-Mojel says. For out-of-town customers stockists prefer a local letter of credit. In town customers pay by check, but because banks are slow even at clearing checks between their own branches, sometimes deliveries are made only to have the check bounce. Every stockist has been burned to the tune of hundreds of thousands of riyals, Al-Mojel asserts.

As far as foreign firms which are also steel firms in their own country, Al-Mojel says they will always import their rebars. But others are switching to stockists.

Although the cheap foreign price should work to his advantage, Al-Mojel is not particularly enthusiastic about it. Dumping is bad for the country, he says, because it discourages local production. "But if (foreign firms) know they are controlling the market, they'll sharply increase the price."

Firms might also withhold a specific rebar type in order to make the price rise. But in buying from Qatar "there are no more uncertainties," perhaps the main reason why Al-Mojel dedicates a certain amount of business to the company. SABIC's steel plants will offer the same advantages.

Fluid State

Other merchants in the Kingdom say the market is in a very fluid state. Steel prices have come down in the last few years. Currently the price for rebars may vary from week to week depending upon construction activity.

Without going in for sophisticated steel fabrications, the Jeddah Steel Rolling Mill now produces rebars in standard sizes. Another factor influencing market conditions is that the steel market is closely related with the construction activity in the Kingdom; with construction activity slowing down demand for rebars has also been affected.

Mustafa Kidwai, an executive working for Bugshan Company, said that

they were involved in importing steel from Romania, Belgium, Germany and Japan but have wound up business as it was no longer profitable to continue. Profit margins were low and market conditions unstable.

A steel stockist for a Japanese firm based in Jeddah, who wished to remain unnamed, said that they were selling rebars at the rate of SR320 per ton two years ago but now the prices had gone down to SR270 per ton. "It has become a very competitive business with Korean resorting to price-cutting tactics to sell their rebars," he said.

Tricky Business

Business has become so tricky, he said, that they have switched over to selling steel sheets instead of rebars. "It is a characteristic of the rebar market that they are sold in large quantities and so the price is low." He said the standard size for rebars is between 8mm and 32 mm; to satisfy special specifications below 8mm above 32mm, special orders have to be placed and the cost tends to be high. "This is because production in Japanese factories is geared to produce standard size bars in large quantities, and for special orders the overheads tend to be high.

"It takes between two a half months from order to delivery and we don't accept orders on the basis of cash on delivery. We always ask for letters of credit."

At present Jeddah Steel Rolling Mills has a production capacity of 140,000 tons of rebars and most of it is supplied to the Western region. But the mill is able to meet only 30 per cent of the demand, Deputy General Manager Abdul Mohsin Al Otaibi told *Saudi Bus-*

iness.

"It takes between two and two and a half months from order to delivery and we don't accept orders on the basis of cash on delivery. We always ask for letters of credit."

According to rough estimates, Otaibi said the demand for rebars for the construction projects in the Western region ranges between 400,000 to 450,000 tons per year. The mill does not produce mild steel bars (grade 40) — bars with a lower tensile strength used mainly for small buildings — but only high tensile deformed steel bars termed ASTM 60, according to Saudi specifications.

The manager said that they produce rebars of 8mm to 32mm thickness; the standard length is 12 meters, packed in two-ton bundles.

"The other alternative is to rely on expatriate staff and stop worrying about training," Abdul Mohsin remarked.

train him.

What is the solution? "We are trying to combine both goals: to run the mill at a high capacity and satisfy part of the demand for steel and to work out a schedule when the expatriates will be replaced." In actual practice, the management has organized a team of technical staff which includes the technical personnel handling production, maintenance, material handling and quality control to do the training. One national is assigned to each of these departments and it is the job of the expatriate manager to train him. Mohsin said "the work of the national is to help the expatriate and learn the job so that he can assume full responsibility later on."

BRIEFS

1981 FERTILIZER PRODUCTION FIGURES--The Saudi Arabian Fertiliser Company (SAFCO) produced 342,000 tonnes of fertiliser in 1981 and exported 288,000 tonnes of this output to Arab Gulf states, Talaath Abdul Hamid, SAFCO's Assistant Manager, announced last week. He added that 45,000 tonnes went to the local market in Saudi Arabia; he did not reveal what happened to the remaining 9,000 tonnes. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 8]

TRANSPORT COOPERATION AGREEMENT SIGNED WITH SWISS--Sweden is to cooperate with Saudi Arabia in developing the Kingdom's road and rail network, the OPEC news agency reported from Riyadh. A cooperation agreement was signed in the Saudi Arabian capital during a visit there by Swedish Transport Minister Claes Elmstedt. Details of the agreement were not disclosed but Saudi Arabia's Minister for Communications Hussein al-Mansouri said he hoped a wider exchange of technical expertise could be established between the two countries. Mr Mansouri said the agreement would be submitted shortly to the Kingdom's Council of Ministers for ratification. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 8]

SWISS TO BUILD POWER STATION--Brown Boveri, the Swiss engineering concern, has won a major order to deliver and construct a gas-turbine power station near Riyadh in Saudi Arabia. The contract, awarded by the Saudi Consolidated Electric Company (SACEC), is worth SF 780 million (\$419.8 million). The order, won in the face of US competition, calls for the supply of 16 units of 50 megawatts each, the first of which will come into operation at the beginning of 1984. Out of the SF 780 total, SF 400 million (\$215.3 million) will cover the costs of manufacturing the turbines, while the remaining SF 380 million (\$204.5 million) will pay for civil engineering and auxiliary installations. The Swiss firm has also announced an Iraqi order worth a total of about SF 200 million (\$108.17 million) for two gas-isolated switchgear installations. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 4, 25 Jan 82 p 12]

ALIENS DEPORTED--Jeddah, Jan. 28--About 11,000 foreigners without legal residence permits in the Kingdom have been deported in the recent campaigns, according to Gen. Jaber Abdul Hafeez. Gen. Abdul Hafeez, who is incharge of combating overstayers told the evening edition of AL-JAZIRAH Tuesday that 100 squads have been deployed in the Western Region to enforce the campaigns according to the instructions of Interior Minister Prince Naif. The squads move between Makkah, Jeddah, Taif, Madinah and other villages. Gen. Abdul Hafeez said that the campaigns

include illegal residents as well as workers found seeking jobs in towns and cities away from their sponsors. Such people run away from their sponsors and worked for others which make them in violation of the rules and regulations, he added. Those without legal residence permits resort to various gimmicks to escape being arrested. "We frequently come upon foreigners wearing the national dress and speak the local tongue in an attempt to pass off as Saudi Arabians," Gen. Abdul Hafeez said. The Interior Ministry's instructions urge all, nationals and foreigners, to carry their identity cards on them always to avoid any mistakes, he added. The campaigns against illegal residents are a natural phenomenon since any person who enters the Kingdom should have a permit to stay or work, he said. "The Kingdom opens its doors to all Muslims and others. However, there are some people who take advantage of the pilgrimage opportunity to overstay illegally," Gen. Abdul Hafeez said. [Text] Jiddah ARAB NEWS in English 29 Jan 82 p 2]

INVESTMENT GUIDE ISSUED--Riyadh, Feb. 1 (SPA)--The Saudi Arabian Consulting House has published a new edition of the Kingdom's Industrial Investment Guide in the English language, consisting of data on economic and industrial matters. The guidebook has seven chapters interspersed with sketches, schedules and the Kingdom's map. While the first chapter speaks about the country's general facts, the second makes a quick review of the economic situation, manpower and the development plans. The third and the fourth chapters concentrate the industrial sector with its objectives, policies and achievements as well as the Kingdom's role in boosting the industrial progress. The fifth part refers to the industrial towns and focuses on manpower problems, health care, transport, communications and power generation in the Kingdom. The guidebook devotes its sixth chapter to industrial laws in vogue in the Kingdom, besides regulations on protecting and encouraging national industries and foreign capital. The last chapter deals with the basis on which the industrial system of the country is founded, and mentions the available potentialities for promoting industrial advancement in the Kingdom. [Text] [Jiddah ARAB NEWS in English 2 Feb 82 p 2]

JOINT RED SEA BODY--Jeddah, Feb. 2--Sudan's Minister of Energy and Mineral Resources Dr. Sharif Al-Tuhami arrived here Tuesday to attend a meeting of the Saudi-Sudanese Joint Commission for the Exploration of Red Sea Mineral Resources. At the meeting, the progress made by the commission so far will come up for review and a decision will be taken about the work to be done in the coming year. The commission was established in May of 1974 by the Kingdom and Sudan to explore and develop the mineral resources lying on and under the seabed within the common zone. It began work in September 1975, conducting a feasibility study to establish technical and commercial viability of the project. During the first two phases, the commission completed geophysical and oceanographic surveys of the common zone in general and an area known as "Atlantis II Deep" in particular. At the same time it has completed environmental studies, developed mining and processing technology, conducted exploration campaigns and a pre-pilot mining test, and made preparation for the Pilot Mining and Processing Operation and training of personnel. Now the commission is planning to increase its operations 10 times during the third phase known as "pilot mining and processing operation." The fourth and final phase of "commercial extraction operations" is expected to start by the end of 1980s. [Text] [Jiddah ARAB NEWS in English 3 Feb 82 p 2]

NEW CEMENT PLANT--Riyadh, Jan. 1--Saudi Arabia and Kuwait Wednesday signed an agreement for the establishment of the biggest cement project in the Middle East. The project will have a daily capacity of 7,000 tons of klinker and 30 tons of cement. More than 4,000 tons of klinker will be exported to Kuwait. The project will cover both countries' cement requirements. So far, contracts totalling SR1.1 billion have been signed with international firms for the project. Saudi Arabia, which has a similar venture with Bahrain, will own 55 percent of the project and Kuwait 45 percent. Representing Saudi Arabia are the Social Security Organization, the General Investments Fund, the Retirement Pensions Organization, and individual shareholders. Kuwait is represented by government-owned Kuwait Cement Company and private shareholders. The implementation of the project will take three years starting from February. The plant will be set up off Dammam/Kuwait road in the Eastern Province near Jubail. [Text] [Jiddah ARAB NEWS In English 2 Jan 82 p 2]

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ANTI-REGIME ACTIVITIES DISCUSSED

London AL-MAJALLAH in Arabic No 96, 12-18 Dec 81 pp 26-27

[Article: "The Suicide Operation in Damascus Is Escalating the War Between Syria and the 'Brotherhood'"]

[Text] More than 150 people died and dozens of others were wounded as a result of the explosion which took place in the al-Azbakiyah section of Damascus last 29 November. The Muslim Brotherhood claimed responsibility for this action in a statement which its members made in Bonn, the capital of West Germany. This explosion was the third of its kind which has occurred in the center of Syria's capital city, and it was carried out in the same fashion, that is, by means of having a car loaded with a large quantity of dynamite explode in front of a military police building in an area crowded with civilian inhabitants. But this incident has been the most serious of this sort so far. The operation is considered to have been a suicide mission because it was not possible for the person who was driving the car in front of the military police headquarters building to escape. This was because of the strict security measures which had been taken in front of the military police headquarters building, which included preventing any car from stopping in front of it or even from slowing down when driving by it. Thus the operation made it necessary to engage in the skirmish which took place between the guards at the military headquarters building and the person who was driving the car with the hynamite. The Syrian security apparatus has learned the identity of the driver of the car. His name was Yasin ibn Muhammad Sarij, he was born in Damascus, was 20 years old, and worked as a peddler. He had joined the Muslim Brotherhood 4 years ago. Last 28 October he left his place of residence and went to a location outside Syria where he received training (some newspaper sources said that he was trained in Turkey), and then he returned to Syria in order to carry out his operation.

Thus Damascus became a sad city that Sunday, and one the days following that Sunday, because of the large number of civilian casualties and because of the destruction done to the residences surrounding the military police building at the site of the explosion. The Syrian news media has been careful to devote a large amount of attention to the incident by means of showing film footage of the effects of the explosion over Syrian television--film footage which was continuous and repeated during the days which followed the explosion. The official Syrian news media previously tried to give as little coverage as possible to the activities and operations of the Muslim Brotherhood in the various cities of Syria, especially those activities and operations which were directed against government and army centers. But the Syrian leaders this time are in agreement that this operation is of great importance

because of the great damage and harm which it inflicted on civilian citizens. The operation did not require much planning because, as has been mentioned, it was a suicide mission. But the importance of the operation consists of the fact that it represents a new step in the Muslim Brotherhood's activities and might show that they have transferred their sphere of action to the main areas of Syria's capital city after having engaged in various large-scale operations during the last 2 years in Aleppo, Hamah, Dayr al-Zayr, Idlib, and Ma'arrat al-Nu'man.

Prelude to a New Strike

The reaction of Syria's high-level leaders to the bombing was clearly shown in President Hafiz al-Asad's words concerning the Muslim Brotherhood, which were reported by the Syrian Arab News Agency and which were said during a telephone conversation which he had with Libya's leader Mu'ammarr al-Qadhafi. During that conversation al-Asad said: "This criminal band which is called the Muslim Brotherhood every day is proving that it is an organization which serves only the imperialists and Zionists." At the same time, Syrian newspapers and official commentaries drew a connection between the bombing incident and the visit currently being made by Mr Philip Habib, the U.S. presidential envoy, to the Middle East. Habib arrived in Damascus on the day which followed the explosion. The Syrian news media usually links the operations of the Muslim Brotherhood in Syria with the "pressure being exercised by the U.S. to influence Syria's policy in the area," as Syrian leaders put it. In one of its commentaries, the newspaper AL-THAWRAH said: "Hatred, conspiracy, and sabotage are some of the weapons employed by the imperialist-Zionist plot against our country." The newspaper TISHRIN had this to say: "We do not consider it unlikely that the crime committed by the Muslim Brotherhood in Damascus was a prelude to the U.S. envoy Philip Habib's arrival and resumption of his mission in the Middle East--and therefore part of the pressure campaign which is being mounted against Syria to force it to accept solutions which would be tantamount to capitulation." The newspaper AL-BATH swore to avenge the victims. It said that the incident was "an attempt to sabotage the firm position which Syria has taken in the Middle East."

Observers in Syria point out that the position taken by the Syrian news media is a prelude to a new strike--which will be a powerful one this time--against the units of the Muslim Brotherhood which are still operating secretly inside Syrian territory. The fact is that the Muslim Brotherhood has constituted the greatest source of alarm as far as the regime of President Hafiz al-Asad is concerned ever since its activities against this regime began on a noticeable scale in 1976--taking on the form of violence and sudden and sporadic dynamiting and bombing explosion operations. As a result of the war going on between the Syrian regime and the Muslim Brotherhood, there have been dozens, in fact hundreds, of victims from among the members of the Muslim Brotherhood's various organizations both inside Syria and abroad and from among members of the Syrian Army, men in the government, and members of the Ba'th Party. Although the operations being engaged in by the Muslim Brotherhood are being carried out in the very heart of Syria, the planning for these operations takes place not in Syria, but abroad. And the leaders of the organization who are doing this planning are also abroad. West Germany is one of the main places where the planning goes on and where the leaders are. President al-Asad's regime considers that two persons are among the most prominent and dangerous of the leaders who plan these operations. They are Mr 'Isam al-'Attar and Shaykh 'Ali Sa'd al-Din al-Baynuni. Al-'Attar is the spiritual leader of the Muslim Brotherhood and has been the leader of their movement since 1961. Since the beginning of this year al-Baynuni has held the job

of secretary general of the front which the Muslim Brotherhood created in order to bring the various activities of their groups under the heading of "the Islamic Front in Syria." This front is calling for, among other things, the establishment of "an Islamic regime in Syria like that in Iran, and the enactment of civil laws which would be in accordance with the principles of Islamic law." Al-Baynuni says: "The Islamic movement in Syria did prefer to see the establishment of Islamic rule by political means and by means of competition on an honorable basis between the various parties and ideologies which exist in Syria. However, Syria's rulers are violating human rights and exercising various methods of terrorism which are making it impossible for us to use, when talking with them, any language other than the language which they understand."

Islam Means Neither Right Wing Nor Left Wing

At the present time Beirut, the Lebanese capital, is considered to be the best place in the Arab world for the Muslim Brotherhood to distribute its pamphlets and recruit members for its organization. This is true in spite of the presence of the Syrian "deterrent forces" in Lebanon. The Muslim Brotherhood distributes a pamphlet called AL-NADHIR [the Herald], and it is possible to get a hold of this pamphlet both in the European capitals and in Beirut. This pamphlet engaged in an intensive attack against the current Syrian regime. Mr Ahmad Iskandar Ahmad, Syria's minister of information, said, in an interview which he gave to the British newspaper THE TIMES: "The Muslim Brotherhood is a terrorist organization. Its members are still setting bombs around. However, they are not an organized group. We are not afraid of them because in Syria they do not have any weight and nobody is willing to either help or support them. These terrorists are not able to print their pamphlets in Syria, and thus they are resorting to these methods because they have been defeated. They are able to write whatever they want to in Europe and in Beirut, and all of us know how easy it is to wage wars of words in Beirut." In reply to the Muslim Brotherhood's accusation that the Syrian regime is a "sectarian" regime, the Syrian minister of information says: "Within the Ba'th Party any member can rise to a position of leadership by virtue of his qualifications and his loyalty and sincerity to the party--and he cannot do so by virtue of his sectarian affiliation. A person's religious affiliation does not appear on a Syrian citizen's personal identify card." Mr Iskandar also points out that the Muslim Brotherhood receives financial assistance and military training from the U.S. and from European nations, as well as from "some Arab parties."

As for the Muslim Brotherhood's position with regard to the U.S. and the Soviet Union, and concerning whether or not their movement should be classified as right-wing or left-wing, Shaykh Sa'd al-Din al-Baynuni says: "The word 'imperialism' does not exist in our lexicon. Islam is something which is neither right-wing nor left-wing. We do not wish to have any differences with any nation. If we attack only the Soviet Union, it is because it is the ally of al-Asad's regime. It is attempting to spread Marxism, and Marxism is a theory which is inimical to religion. The U.S., for its part, has no clear-cut ideology. And capitalism is not something which is in conflict with Islam, although it has both positive and negative elements."

Assistance and Training

The Muslim Brotherhood receives a lot of financial assistance from its supporters (both Syrians and others) in Europe and the U.S.--but especially from its supporters in West Germany and Britain. At the present time West Germany is considered to

be the location of the Muslim Brotherhood's biggest center of operations abroad. West Germany has a large number of Syrian refugees, the most important one being, of course, Mr 'Isam al-'Attar who lives in the city of Aachen. Early this year his wife was assassinated. Some information gathered from the press indicates that units of the Muslim Brotherhood are still being trained in Turkey, in cooperation with the Turkish National Salvation Party which is a religiously-oriented party and is led by Necmettin Erbakan. At the present time this party has been outlawed by order of the Turkish military authorities. However, it is still carrying on its activities secretly, and military training is one of these activities. [After receiving training in Turkey] the members of the Muslim Brotherhood return to Syria by land in order to carry out their operations. In times past the Syrian authorities have accused the Phalangist Party in Lebanon of training members of the Muslim Brotherhood, but the leaders of the Phalangist Party have denied this.

The Syrian authorities have tried to minimize the importance of the actions engaged in by the Muslim Brotherhood and their danger to the Syrian regime by stating that their operations, including the recent bombing in the al-Azbakiyah area, are desperate operations which are carried out by individuals. But in spite of this, the fact is that the activity of this organization constitutes a source of alarm in Syria, both for Syria's leaders and its ordinary citizens. These secret groups strike suddenly and then disappear, and it is not easy to eliminate a group of this type overnight. The best proof of this is the fact that the "iron grip" [of the Syrian authorities] has failed ever since 1976 to put an end to the operations carried out by the Muslim Brotherhood. What is the extent of the effect which this activity on the part of the Muslim Brotherhood has had on the policy of the Syrian government? Two things are confirmed by those who are close to ruling circles in Syria:

1. The Syrian regime will certainly maintain the position which it has taken with regard to the U.S. Syrian leaders reiterated this position to Philip Habib, the U.S. envoy, during his meeting with President al-Asad and with Syria's foreign minister, Mr 'Abd al-Halim Khaddam. It was noticeable that when Habib was meeting with Khaddam there was a big demonstration, consisting of 300,000 people, moving through the streets of Damascus and shouting things against U.S. policy and against the fact that Philip Habib was in the Middle East. This, of course, took place with the blessing of the Syrian government.

2. The Syrian regime must, at this stage, unite all of the trends and orientations within it and direct them against the activities of the Muslim Brotherhood--by means of a media confrontation, a political confrontation, and possibly also an armed confrontation. This confrontation must, above all, have the objective of rallying the ordinary citizens [to the regime's cause] and inducing them to stand strongly behind the government. It is clear that the great losses and harm suffered by civilians as a result of the bombing in the al-Azbakiyah area will impel Syria's citizens to wonder about the degree of the Muslim Brotherhood's sincerity and wonder how much the Muslim Brotherhood wants to limit losses and casualties among innocent civilians. Operations of this sort and on this scale indirectly serve the cause of the regime and strengthen its position. This was why President al-Asad and the leadership of the Ba'th Party attempted to quickly resolve the matter of the resignation of the government of Dr 'Abd al-Ra'uf al-Kasm. It was done in order to prevent speculation and exploitation [of the situation]. And although political circles were nominating Mr Mahmud al-Ayyubi to be the new prime minister, al-Kasm was once again entrusted with the job of forming the government. No significant change is expected among the basic personnel in the government, especially in positions

involving the ministers of foreign affairs, information, interior, and defense. These are the most important ministerial positions which will shoulder the responsibility for waging the confrontation which will take place in the future between President al-Asad's regime and the Muslim Brotherhood organization.

9468

CSO: 4404/226

TUNISIA

SUPPRESSIVE LAW CRITICIZED

Tunis AL-MUSTAQBAL in Arabic 28 Dec 81 pp 3-4

[Article: "Publication of Newspaper, LE PHARE, Stopped by Suppressive Law"]

[Text] Stopping the publication of a newspaper 4 weeks after it had resumed publication is considered a disaster for a young organization. This is what actually happened to the weekly newspaper, AL-MANAR, (LE PHARE).

In 2 years the newspaper was published for only 52 weeks, and this is considered a record. Publication was suspended for 3 months at the beginning of the newspaper's life. Then publication was suspended for 6 full months when the newspaper came out on 20 March 1981. The recent decree against the newspaper stipulates that it be suspended in principle for 3 months. However, the charges that were brought against the newspaper by the assistant to the vice president are extremely serious. The decree stipulated that the ongoing investigation against the newspaper was due to "the false news that was printed in the newspaper. There were pictures that infringed upon the dignity of the head of state and would arouse hatred, rancor and strife among classes of the people." The decree also stipulated that the articles which the vice president's office considered an infringement upon the law were those that were found on pages 1, 2, 3, 4 and 5. The decree justified the suspension of the newspaper by stating that the aforementioned articles contained "false news, pictures and articles that would disturb the public peace and infringe upon the dignity of the head of state. These crimes and the punishment for those who commit such crimes are stipulated in sections 42, 44, 48, 49 and 50 of the Press Law."

What did LE PHARE publish on the first five pages?

The First Page: At the top of the page there was a headline, "Poland, a Country Like Ours." We do not believe that this article was the subject of an investigation or rebuke because the newspaper published the headline on the first page and the article on page 14. That page was not mentioned in the text of the suspension decree issued by the assistant to the vice president.

--In the center of the page there is a headline, "The Social Front: the Fever Returns," along with a picture of one of the strikes showing what strikers had written in Arabic on a wall. They had written, "Management refuses to apply the president's decisions." The caption underneath the picture held the government responsible.

--An editorial about Israel's decision to annex the Golan Heights.

The Second Page: A proposal to identify the distinguished personalities after whom streets have been named.

--Cultural life in the capital on the weekend--Friday, Saturday and Sunday; a program of lectures, exhibits, movie theaters, plays, musicals, etc.

The Third Page: Under the headline, "My Child," Samiyah al-Qamarti Badawi, addressing her new-born son, related her thoughts on the social situation.

--A commentary on issue number 52 of AL-MANAR which ends thus: "We are optimistic because we are not the only ones on that road."

The Fourth Page: Letters from readers. The page contains four letters: the first has to do with the status of the newspaper, LE PHARE, during the period of suspension. At the end of that letter the writer expressed his best wishes to the staff of "this truly independent newspaper." The second letter dealt with the cultural situation. It was a reply to an article that had been printed [earlier]. In the third letter a female student dealt with the problem of a university scholarship. In the fourth letter a reader analyzed the relationship between the state and justice and expressed in advance his wishes for the new year.

The Fifth Page: An article about teachers entitled, "When the Rule Does Not Apply." The rest of the article is on page 8, and this leads us to believe that that article was not the subject of investigation.

--"Engineers: a Minister Strikes." In this article the author dealt with the status of engineers and asked at the end of the article if Mr Sadok Ben Jomaa, the minister and the engineer, will strike as the rest of his colleagues did, or if he will act in his capacity as minister?

--The Agricultural corner which is written by 'Ajab. The author [here] dealt with the matter of raising cows, producing milk and observing sanitary rules.

--A cartoon about applying basic laws.

Briefly, this is a summary of the articles appearing on the first five pages. Indeed, they do not contain anything to justify suspending publication of the newspaper for a month; taking its manager to court for the crimes mentioned in the decree; and punishing those who committed the alleged crimes defined in the five sections of the Press Law.

The decree of the assistant vice president mentioned that there was false news in the newspaper. This surprises us: Why didn't concerned authorities issue a correction if the news was false? Why didn't they print a correction so as to remove the confusion that many readers have who bought the paper before it was confiscated?

Mr 'Abd-al-Jalil al-Bahi, the manager of LE PHARE commented in the press conference which he called on Monday, "The government knows quite well the harmful effects that befall every newspaper which is suspended. Therefore, the purpose of this measure is to remove us from the list of existing newspapers."

He announced his intention to appeal the decisions that were issued against his newspaper in accordance with the law, and especially [the following]:

1. He will request repeal of the suspension decree.
2. [He will request] a follow-up measure to investigate the damage that occurred as a result of suspending publication of his newspaper on three occasions.

The colleague, al-Tahir al-'Ayyashi, editor-in-chief of LE PHARE observed that the decree of the assistant to the vice president was dated December 21 whereas the newspaper was confiscated on December 18. He expressed the newspaper's determination to organize a national campaign to collect subscriptions. He asked all the newspapers that are guaranteed freedom of speech to volunteer to publish a subscription coupon for LE PHARE. Mr 'Abd-al-Jalil al-Bahi commented on this by saying, "It is difficult to strike a strong press whose members stand together and support each other."

8592

CSO: 4504/187

BRIEFS

DIPLOMATIC TIES WITH NIGERIA--The UAE and Nigeria have agreed to establish diplomatic relations at ambassadorial level and Nigeria has named Dhahir Abu Bakr as non-resident plenipotentiary, it was announced last week. Mr Abu Bakr is to be based in Jeddah. [Text] [Paris AN-NAHAR ARAB REPORT & MEMO in English No 5, 1 Feb 82 p 7]

CSO: 4400/126

BRIEFS

BUDGET FIGURES DISCLOSED--North Yemeni President Ali Abdullah Saleh has approved the state's budget for this year which shows a 3.2 billion Yemeni rial (\$700 million) deficit. Expenditure is estimated at 8.47 billion riyals (\$1.5 billion) and revenue at 5.28 billion riyals (\$1.2 billion). Remittances from an estimated two million North Yemeni workers abroad are an important contribution to the income of the state. [Text] [Jiddah SAUDI BUSINESS in English No 41, 5 Feb 82 p 23]

NEW CHIEF OF STAFF--Manama, Bahrain Jan. 18 (AP)--Chief of staff of North Yemen's armed forces has been replaced in a military reshuffle that also involves some top administrative officers, the Gulf News Agency reported Monday. According to a decree issued in Sanaa, the North Yemeni capital, and distributed here by the news agency, Brig. Gen. Abdul-Aziz Borati has been relieved of his position as chief of staff and replaced by Brig. Gen. Abdullah Hussein Busheiry. No reason for the changes was given, and no new position was mentioned for Borati. Then new chief of staff was formerly director of planning and organization at the North Yemen Army High Command. North and South Yemen last week prepared constitution for a merger. For nearly two decades the two states on the southwestern tip of the Arabian Peninsula has been discussing such a merger. Three other appointments were also announced. They involve deputy chief of staff for military, administrative and training. [Text] [Jiddah ARAB NEWS in English 19 Jan 82 p 4]

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